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Reprieve in Inflation Index Gives Markets a Day's Relief

By Paul Blustein

WASHINGTON — The inflation panic that had gripped U.S. financial markets subsided Tuesday when the government reported a 0.4 percent rise in the consumer price index for February, a figure that was lower than many economists had expected.

But analysts warned that worse price data would probably materialize in coming months. "This report is somewhat comforting, but we do have a clear and steady acceleration of inflation on our hands," said Stephen Roach, economist at Morgan Stanley & Co.

The news on retail prices came just four days after another Labor Department report showing that producer prices rose one percentage point in February for the second month in a row. That report triggered a two-day slide in the stock and bond markets and sparked worry that Tuesday's CPI figure would match January's 0.6 percent rate — the largest monthly advance in two years.

As a result, the financial markets

reacted favorably, even though the February increase in the CPI is equivalent to a 5.1 percent annual rate — a faster pace than the 4.4 percent recorded last year.

The Dow Jones Industrial Average rose 5.36 points, to 2,267.86, on the day, according to an unofficial tally. The blue-chip index had fallen nearly 80 points in the previous two trading days.

Martin Fitzwater, the White House spokesman, said, "These numbers are below market expectations and should help to calm inflation fears."

Analysts said the report takes pressure off the Federal Reserve Board to drive interest rates higher. "But this doesn't really eliminate the inflationary fears," said Donald Rataczak, director of the Economic Forecasting Center at Georgia State University. The increases reflected in the January and February producer price data "are going to show up" in consumer prices later this year, he predicted.

Joel Popkin, an analyst who heads an economic consulting firm bearing his name, said that Febru-

ary "is not a good month to take a price reading" at the consumer level. "The March number is going to include the pricing of new apparel styles that come into the market for spring, and it will be a much better test of the strength of inflation," he said.

Higher producer prices will eventually feed through to the consumer level, said Mr. Popkin, because retailers face not only increased manufacturers' costs for their merchandise but also higher wage demands.

Other economists noted that the "core" rate of consumer inflation, as reflected in the CPI excluding the volatile food and energy components, has risen at a 5.5 percent annual rate since September. That is a significant quickening over the 4.5 percent pace that prevailed during most of 1987 and 1988.

Tuesday's price figures, which are adjusted for seasonal variations, showed that gasoline prices shot up 1.7 percent last month. Food prices advanced 0.5 percent, a more moderate increase than the 0.7 percent pace a month earlier.

Price Pressures Loom Despite U.S. Data

By Steve Lohr

LONDON — The moderate monthly advance in U.S. consumer prices reported Tuesday was seen by economists and corporate executives in other countries as a temporary respite, at best, from a worldwide trend of mounting inflation.

Global inflation, they warn, poses a threat to the fragile equilibrium that has prevailed in the world economy for more than a year, characterized by calm currency markets and policy coordination

among the major industrialized nations.

"It has to be a source of profound concern," said Stephen Maris, the senior European fellow in Paris of the Institute for International Economics.

Prices are being driven upward mainly by the worldwide consumer and investment boom of recent years, which has factories humming and skilled workers in demand. The stepped-up pace of economic activity makes it easier for producers to command higher prices for their goods and for work-

ers to win higher wage settlements. Some special factors, particularly a jump of more than \$6 per barrel in oil prices since last November, have also contributed to inflation in recent months.

Even in nations with deep historical aversions to inflation, such as West Germany and Japan, prices are rising at a rapid rate, though from a low base. In West Germany, for example, where factories are working at 89 percent of capacity, the highest level in 15 years, consumer price inflation will more than double this year, to aver-

age 2.6 percent, estimates Goldman Sachs International Ltd. in London.

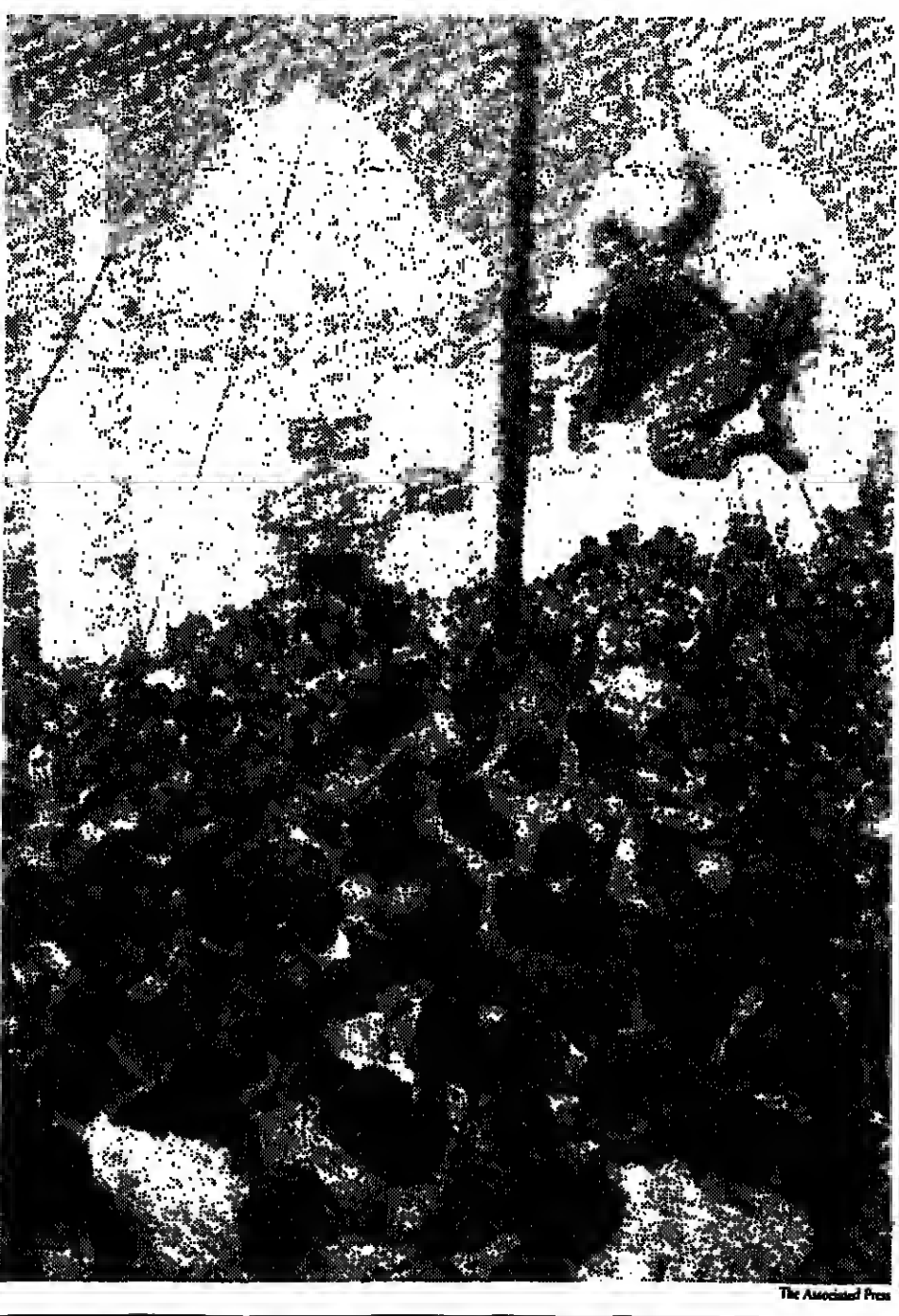
In Japan, consumer price increases are likely to shift from 0.7 percent last year to an average of 2 percent this year, pushed along by higher wage settlements — in the range of 5 percent to 7 percent — during the recently started annual round of negotiations with major trade unions. Such gains are well ahead of the recent increases in

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Two Ways to Say It: The Future Is Looking Up

Students at Tokyo University threw a jubilant classmate aloft Tuesday after she passed the entrance examination to the elite school. Meanwhile, hundreds of men in Kabul, Afghanistan, scrambled for a chance to kiss a pole that was erected for ceremonies marking the start of the Moslem year 1368.



Employee Drug Test Is Upheld

Ruling Is Limited To Customs and Railroad Workers

By Al Kamen

WASHINGTON — The Supreme Court, ruling for the first time on the constitutionality of mandatory drug testing in the workplace, on Tuesday approved testing programs for workers in jobs involving law enforcement and public safety.

By a 7-2 vote, the justices upheld mandatory blood and urine tests for railroad workers involved in accidents. By a separate 5-4 vote, they upheld urine tests for U.S. Customs Service employees seeking a transfer or promotion into drug-enforcement jobs.

Attorney General Dick Thornburgh hailed the decisions, saying: "This is heartening news — welcome but not surprising — because what the court says makes just plain good sense."

But the narrowness of the ruling in the Customs case, which saw conservative Justice Antonin Scalia break ranks with the other Reagan appointees, and the general tone of the opinions made it uncertain that the court would uphold mandatory drug testing programs that did not have a clear connection to law enforcement or public safety.

The court declined to rule in the Customs case on whether low-ranking employees, including messengers and baggage clerks, could be tested, saying it was uncertain whether those employees would gain access to sensitive information.

In addition, the court did not decide whether employees with access to sensitive government secrets could be tested, nor whether random spot testing was permissible. The rulings are likely to be the first of a series over the next few years defining the constitutional limits of drug testing.

Opponents of the tests have challenged them as a violation of the prohibition against unreasonable searches and seizures embodied in the Fourth Amendment of the Constitution. They charge that such tests erode the civil liberties underpinning Western democratic tradition.

The rulings do not directly affect most private employment, nor do they deal directly with random drug tests.

But the rulings on public employees' rights are seen as setting the tone for what is appropriate testing in private industry as well.

Justice Anthony M. Kennedy, in his first major opinion since joining the court last year, rejected arguments that the Fourth Amendment's prohibition on unreasonable searches required search warrants, probable cause or a "particularized suspicion" before an employee could be tested for drugs.

There were "special needs" in the safe transport of the public, he said, and "compelling interests" for "self-protection" in stopping drugs from entering the country. He said these justified a departure from the usual warrant and probable-cause requirements.

"The Customs Service is our nation's first line of defense against one of the greatest problems affecting the health and welfare of our population," Justice Kennedy said. "It is readily apparent that the government has a compelling interest in ensuring that front-line interdiction personnel are physically fit, and have an unimpeachable integrity and judgment."

He added: "Unlike most private citizens or government employees in general, employees involved in drug interdiction reasonably should expect effective inquiry into their fitness and probity. Much the same is true of employees who are required to carry firearms."

Regarding the tests for rail workers

See DRUGS, Page 4

Kiosk

Trident-2 Test Fails in U.S.

CAPE CANAVERAL, Fla. (AP) — A Trident-2 missile, the U.S. Navy's newest and most powerful nuclear missile, veered off course Tuesday and exploded, failing its first submarine test-launching, officials reported.

The navy said the cause of the malfunction during the unarmed test could not be determined until the flight data are studied. The underwater test was conducted in the Atlantic Ocean off Florida.



Prime Minister Bob Hawke of Australia wiped his eyes during a televised confession of adultery. Page 3.

General News
Senator Sam Nunn is no longer viewed as being above the fray. Page 3.

Crossword Page 4.

Dow Jones	The Dollar
Up 3.75	DM 1.8738
	Pound 1.7245
	Yen 131.35
	FF 6.344

EC Gropes For a New Social Order

By Reginald Dale

BRUSSELS — The 12 countries of the European Community are beginning to raise their eyes from the ground on which they are shaping their post-1992 single market to consider the broader political question of what kind of European society they are trying to construct.

The search for an answer, which could have serious implications for the economic competitiveness of member states, is already proving divisive.

It is exposing conflicts of interest between the rich, northern EC countries and their poorer southern partners, and pitting the pragmatic Conservative government of Britain against the Social and Christian Democratic traditions on the Continent.

"The argument over the single market's 'social dimension,' just like the debate over monetary union, is essentially political," said Helen Wallace, head of the West

European program at London's Royal Institute of International Affairs. "It goes to the heart of how far you maintain control over your own society."

Over the past year, the single

What Kind of Europe?	***
Second of three articles	***

market's need for a uniform code of labor practices and a commitment to common social policies and philosophies has become an article of faith for most EC member governments, with Prime Minister Margaret Thatcher of Britain remaining the notable exception.

The drive for a "social Europe" has been championed by Jacques Delors, president of the EC Executive Commission, although his advisers insist that it is necessary for economic rather than ideological reasons and that Mr. Delors does

not want to take the community further than has already been agreed.

President Francois Mitterrand of France, a Socialist, has espoused the single market's "social dimension" as a political priority, along with monetary union, for France's six-month presidency of the community, which is to begin July 1.

He has strong backing from southern members such as Spain and Greece and from northern governments such as those of West Germany and Denmark. But for Mrs. Thatcher, the social dimension is "socialism through the back door," as one European official put it.

Britain maintains that if European business is to be burdened with a host of new social regulations similar to those Mrs. Thatcher has spent 10 years dismantling in Britain, the entire competitive boost of the single market will be negated.

The British opposition is also a

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Japan Clearly Leads TV Technology

By David E. Sanger

TOKYO — Next month, while Congress and the Pentagon are nudging American electronics makers toward a new generation of television technologies, Japan plans a quiet demonstration of how far ahead of other nations it is.

It will begin the world's first daily high-definition television broadcasts.

At first, the transmissions will be experimental, only one hour a day. And almost no one will be watching — a television monitor capable of displaying the vivid movie-quality image still costs \$60,000 and is not yet available to the general public.

But the broadcasts will be one more indication of Japan's head start in efforts to develop high-definition television, or HDTV,

which the Japanese government thinks will be a \$25 billion industry by the year 2000.

A close look at Japan's efforts suggests that while it may not be impossible for the United States to catch up, years of delay and the gradual erosion of America's manufacturing base in several critical technologies will likely make the cost of getting back into the game far higher than the amounts the U.S. government and industry are now discussing.

A consortium of U.S. companies is forming to speed development of an American system. Meanwhile, the Pentagon is financing a \$30 million project to seed the industry, and both U.S. and foreign companies have submitted proposals for the government money.

But to many executives in To-

kyo, the American effort appears surprisingly late and far too small.

The Pentagon's budget is tiny when compared with the \$700 million to \$1 billion Japanese companies have already spent — with a remarkably small contribution from the government.

Another major effort is under way in Europe, where significant progress on HDTV has already been made. And South Korea, manufacturer of many of the world's televisions and a growing number of its semiconductors, said last week that it plans to spend \$60 million in government money and \$90 million in private investments to get into the market over the next four years.

Experts point out that the technology for high-definition televi-

See TV, Page 13

Peru: Insurgency Claws at Lima's Gates

By Eugene Robinson

HUAYCAN, Peru — In this forsaken little settlement near Lima lies Peru's latest nightmare.

One day a few weeks ago, according to Huaycan residents, Shining Path revolutionaries incited a raid on the potato fields of a local landowner. Hundreds of people, whether afraid of Shining Path, sympathetic to the insurgents or just desperately hungry, ripped the potatoes out of the ground and carried them off.

It would seem a minor incident, except that Huaycan is at the portals of Lima on the Central Highway along which much of Lima's industry lies. The road also links the capital with the agricultural valley that supplies much of Lima's food. Huaycan's walls are covered with Shining Path graffiti, and observers of the group say the town is becoming a stronghold of the guerrillas.

The nightmare is that with Peru's economy in shambles and poverty deepening, the millions living in shantytowns and hamlets around Lima will turn to Shining Path as a

viable alternative, or at least not oppose the guerrillas when they appear, that soon there might not be one Huaycan, but hundreds. "That's what I worry about," said Carlos Ivan Degregori, a scholar with the Institute of Peruvian Studies. "We're in such a hyperactive, such a situation without hope, that many people see no exit. I fear that Shining Path can get neutrality or even sympathy from some poor sectors, especially young people."

Until now mostly a rural phenomenon, the guerrilla insurgency not only has launched a major offensive in the countryside in recent months but has stepped up its activities in metropolitan Lima, where nearly a third of Peru's 20 million people live.

Shining Path is held responsible for assassinating 17 mayors of Andean towns last year and has stepped up killings of soldiers and policemen. The guerrilla group also has shown a new presence in coastal regions to the north and south of the capital, and along the length of the Central Highway heading east. The pattern formed is a rough semicircle around Lima.

Some see the campaign as a genuine at-

tempt to surround and strangle the capital. Others scoff at the notion that Shining Path is that powerful, and see instead an effort to provoke a military coup, which the guerrillas would see as hastening their intended revolution.

Shining Path has described its philosophy as the fullest development of "scientific" Communist thought, a step beyond Marxism. It addresses Peru's racial divisions by claiming to champion the poor Indian minority.

There is a developing consensus here that the government of President Alan Garcia Perez is losing ground in the war against Shining Path. Most of the country's population lives under a state of emergency, and Mr. Garcia has given the armed forces and police a virtual free hand in the battle.

This month, the government tried to regain the initiative by announcing a "total war" against subversion and appropriating \$21 million for arms and equipment. Prime Minister Armando Villanueva said about 14,000 lives had been lost to political violence since

See PERU, Page 4

Brazil: Faith Fades in Democratic Cure

By Alan Riding

RIO DE JANEIRO — Five years ago this month, as Brazilians by the millions marched, shouted and danced in favor of direct presidential elections, democracy was proclaimed to be the cure for all the ills bequeathed by the departing military regime.

Now, with the first presidential elections by popular vote since 1960 scheduled for November, Brazil is preparing to complete its tortuous passage from dictatorship to democracy with hardly a trace of the optimism that existed when the transition began.

Over the last five years, as a vast array of long-hidden social, economic and political problems has come to the surface, Brazilians have been forced to come to terms with a country stripped of the myths that long sustained their faith in the future.

No longer confident that democracy alone can make much difference and in some cases worried that the outcome of the elections could make things worse, many Brazilians — rich and poor — simply say they wish they could leave the country.

"So many of my colleagues have already emigrated," a young dentist said. "My family won't let me go, but I would if I could. Brazil is disappearing into a black hole and it's hard to know when it will come out again."

Disenchantment with President Jose Sarney, a civilian ally of former military regimes who was named to his post by an electoral college, has contributed to the gloom as bursts of triple-digit inflation have undermined the living standards of the poor and middle classes.

With press freedom restored, newspapers have also begun exposing official violence, corruption, nepotism, environmental abuse and social injustice, obliging Brazilians to see their country in a new, crudely realistic light.

Yet, the causes of the malaise run deeper. For generations, Brazilians were encouraged to believe that, through its sheer size, natural resources and ebullient optimism, the country would inevitably emerge as a major industrial power of the 21st century. Instead, Brazilians now see their country sinking back into the Third World.

The narrative that social problems could be

resolved naturally through economic growth has also been exposed as a fallacy. Brazil has the eighth largest economy in the West, exporting sophisticated industrial products, but its educational, health and nutritional standards have steadily fallen.

Similarly, while Brazil has an economic system described by leftists as "savage capitalism," the state could always be counted upon to provide jobs, services and minimal welfare. But today, barely able to pay civil servants, the government is cutting back on everything from hospital beds to school lunches.

The search for scapegoats is intense. The private sector blames the economic mismanagement of the Sarney administration. The government blames the huge payments it must make on the \$116 billion foreign debt. Leftists blame the concentration of wealth and power in the hands of a tiny civilian and military elite.

Yet, the crisis defies easy solution because its roots stretch back to decisions made — or

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China Moves to Cut Wildfire Growth as Economy Overheats

By Nicholas D. Kristof
New York Times Service

BEIJING — Chinese leaders on Tuesday announced new curbs on the collective and private businesses that have been the most dynamic sector in the economy, but which have largely ignored the economic retrenchment begun late last year.

Deputy Prime Minister Yao Yilin told the National People's Congress meeting here that the retrenchment had succeeded in cooling down overheated growth at state-owned companies, but not at the collectively owned firms that are often run by townships or by small groups of workers.

He said that all investment loans to these companies would be cut off in an attempt to cool their growth.

Mr. Yao also said the government would close those companies, primarily collectives, that produce poor quality products or that use scarce raw materials intended for the state sector.

Finance Minister Wang Bing-qian said in a separate speech that the government would levy a new 10 percent tax on private and col-

lective enterprises, as well as the business activities of military units and local governments.

The measures seemed not an ideological assault on free enterprise but a desperate measure to gain control over the economy.

The government's objection to the collective enterprises, which in a few rapidly growing areas already dominate the economy, is that they are overheating the economy and generating inflationary pressures, as well as using raw materials that in some cases could be used elsewhere. Similar criticisms hold for the private sector, but it is usually only 3 percent of the economy or less and so matters less.

The comments Tuesday came a day after Prime Minister Li Peng said the country had tried to liberalize its economy too quickly and would now increase its reliance on central planning.

It is not clear if the new measures will have much effect. Most loans were cut off last year, and a modest tax probably would not make much difference even if it were enforced.



The deputy prime minister, Yao Yilin, speaking to deputies.

U.K. and France Fear Toxic Channel Pollution

Compiled by Our Staff From Dispatches

CHERBOURG, France — France and Britain banned on Tuesday all fishing, trawling and mooring in a large swath of sea north of the Channel Islands because of fear that a missing container of the lethal insecticide lindane could leak into the sea.

The container was one of 14 aboard the Panamanian-registered cargo ship Peritini, which sank in the Channel in a storm on March 13. Two French minesweepers were searching for the container Tuesday.

The French Maritime Board in Cherbourg said the ban covered an area of 1,890 square kilometers (730 square miles). In London, the Ministry of Agriculture, Fisheries and Food said Britain had banned fishing within a

radius of 12 square kilometers from where the container was thought to be.

The French Navy believes it has located the missing container of lindane, Environment Minister Brice Lalonde said in Cherbourg. But deteriorating weather conditions prevented the use of a remote-control underwater camera to confirm the discovery.

Mr. Lalonde renewed calls for an international agreement regulating the transport of toxic materials.

The container, holding about 100 casks of the insecticide, sank in about 70 meters (230 feet) of sea, about 40 nautical miles off the coast.

In London, a spokesman for the ecological

movement Greenpeace has warned that marine life in the Channel could be wiped out for years unless the container was retrieved before it leaked. A British scientist warned on the BBC that up to 1,500 square kilometers of sea could be contaminated if the chemical escaped.

But French maritime officials have said that the chemical was stored in watertight containers and could not easily dissolve in cold water.

Lindane is lethal even in small quantities and has been linked to cancers and blood disorders in humans. It is banned or severely restricted in Japan, the United States and Sweden.

(Reuters, AFP)

Ex-Papandreou Aide Implicated in Bribe

By Paul Anastasi
New York Times Service

ATHENS — In the latest chapter of a financial affair that has plagued the Socialist government for eight months, a former senior Greek official said Tuesday that he had accepted and transferred millions of dollars in bribes.

Ioannis Mantzouranis, a former secretary-general of the cabinet,

said in a 20-page letter from jail that he deposited \$2 million in Swiss bank accounts held by another former government official, Agamemnon Koutsouras, and members of his family.

Mr. Koutsouras, who resigned last week as deputy prime minister and justice minister, denied the allegations. He held those posts at

the time of the alleged payoffs last summer.

Prime Minister Andreas Papandreou, speaking in a heated parliamentary debate Tuesday evening, avoided coming to the rescue of Mr. Koutsouras, who for 25 years was one of his closest associates. Questioned about the new allegations, Mr. Papandreou said: "The government will punish all guilty parties, however highly placed they might be."

Mr. Mantzouranis, who was jailed March 11 on charges of handling illegal funds, said in his letter that the payments came from George Koskotas, a fugitive banker now jailed in Boston, in return for a law to shield Mr. Koskotas' bank from investigation.

Mr. Mantzouranis, who remained a senior member of the Socialist Party after leaving his official post two years ago to become Mr. Koskotas' personal lawyer, said that he had documentation to prove that he made the deposits in the Swiss banks. In his handwritten letter, which was published in Greek newspapers Tuesday, he provided the account numbers.

The money, Mr. Mantzouranis said, was one of several bribes to the government by Mr. Koskotas, who was suspended in October as chairman of the Bank of Crete and

who has been charged with embezzling \$135 million from the bank.

Mr. Koskotas said that he used his bank's deposits to finance activities by Mr. Papandreou and the Socialist Party.

The government, and Mr. Papandreou personally, have denied the allegations. But nine cabinet members or Socialist members of Parliament have resigned or been dismissed amid the affair. Several other government appointments have been jailed pending trial.

The letter from Mr. Mantzouranis led to a renewed demand for the Greek opposition for the government to resign. A parliamentary commission investigating the affair responded to the letter by formally asking the Supreme Court to investigate the responsibility of government members.

Mr. Koutsouras described the new allegations Tuesday as "more despicable mud-slinging." He appealed to Mr. Papandreou to initiate a parliamentary investigation.

Mr. Koutsouras has served as the personal lawyer of Mr. Papandreou since 1964.

Mr. Koskotas, who fled Greece in November, is being held without bail in a prison in the Boston area awaiting a hearing on a demand by the Greek government for his extradition.

Yeltsin Campaign Shifts To Rival's Home Turf

By Michael Dobbs
Washington Post Service

MOSCOW — Boris N. Yeltsin, the former Moscow Communist Party leader, took his populist campaign Tuesday to the stronghold of his officially backed rival in the elections on Sunday for a revamped Soviet parliament.

Mr. Yeltsin was given a warm reception by workers at the ZIL automobile plant, which is managed by his opponent, Yevgeni A. Brakov. They broke into applause as he outlined points of his election program, including the abolition of privileges for senior bureaucrats, direct elections of a new Soviet president, and the discussion of a multiparty system.

The contest between Mr. Yeltsin and Mr. Brakov for a citywide constituency in Moscow has assumed symbolic importance as a measure of Soviet public opinion in the absence of any organized challenge to Communist Party rule.

Informal polls among Muscovites suggest that Mr. Yeltsin, who was removed from his Moscow party post in 1987 after complaining about the slow pace of change under Mikhail S. Gorbachev, the Soviet leader, should win handsomely as long as the votes are counted honestly.

Attempts by Moscow party officials to blacken Mr. Yeltsin's reputation by depicting him as a hypocrite and a demagogue appear to have backfired. Many ordinary voters seem to regard the attacks as a positive recommendation.

During his appearance at the ZIL factory, Mr. Yeltsin lambasted the Communist Party, saying it set a "bad example" by filling a block of 100 specially reserved seats in

the new Congress of People's Deputies. Only 100 candidates were nominated for the seats, thus enabling Mr. Gorbachev and other party leaders to avoid a competitive election.

"If there had been 101 candidates, we know who would have been the 101st," Mr. Yeltsin said, mischievously alluding to his conservative arch-rival, Yegor K. Ligachev, who came in at the bottom of the poll at the party Central Committee last week with 78 negative votes.

Mr. Yeltsin, who is under party investigation for campaign statements that allegedly deviate from the party line, said that he did not consider himself an "alternative leader" to Mr. Gorbachev. During a campaign appearance last weekend, he suggested that he could be a spokesman for a group of independent-minded deputies, accounting for roughly 20 percent of the 2,250-seat Congress.

His voice hoarse from the strain of addressing two or three meetings a day, Mr. Yeltsin said that ordinary Soviet citizens had not benefited materially from perestroika, Mr. Gorbachev's restructuring drive. He described the latest attempt to reorganize agriculture by encouraging more private farming as a "half measure" that was unlikely to resolve the chronic Soviet food problem.

While Mr. Yeltsin has succeeded in tapping into popular frustration with the slow pace of restructuring, his own plans for economic change are somewhat vague. In addition to handing land over to individual farmers, he has called for a freeze on space research lasting five to seven years and for a 40 percent cut in new industrial building.

WORLD BRIEFS

IRA Killers Sought in Police Deaths

BELFAST (UPI) — The police in Northern Ireland swept the countryside near the Irish border Tuesday as they searched for the IRA guerrillas who killed two senior police officers believed to be carrying sensitive documents after a security meeting with the Irish authorities.

Chief Superintendent Harry Breen of the Royal Ulster Constabulary and his deputy, Bob Buchanan, were gunned down Monday only a few steps from the border after a secret meeting with Irish policemen in Dundalk, 50 miles (80 kilometers) south of Belfast.

Superintendent Breen was the highest-ranking policeman to die violently since British troops were ordered to Northern Ireland 20 years ago. Their deaths raised the number of people killed this year in the province to 26.

At Pentagon, Bush Urges Vigilance

WASHINGTON (UPI) — President George Bush, leading the swearing-in Tuesday of Defense Secretary Dick Cheney at the Pentagon, warned against making unilateral cuts in U.S. or NATO forces based on Soviet change.

Mr. Cheney, 48, was officially sworn in Friday but the ceremony was intended to show that the Defense Department was ready to go to work after nearly two months without a leader. The president said: "Let me say clearly: Now is not the time for America and its allies to make unilateral reductions, to relax our defense efforts."

Mr. Bush told thousands of Pentagon employees at the ceremony that while he was "positive" about the changing Soviet policy under President Mikhail S. Gorbachev, there were "still more questions than answers. We should continue our successful policy of flexibility combined with strength and firm resolve."

Japan and Russia End Kurils Talks

TOKYO (Reuters) — The Soviet Union and Japan ended three days of talks Tuesday on the disputed Kuril Island chain with no change of position on either side, Japanese officials said, but the two countries each expressed readiness to hold further talks aimed at improving relations.

A Japanese Foreign Ministry official said there was no softening of the Soviet position. The islands, claimed by both countries, were occupied in the closing days of World War II by Soviet troops. The dispute has prevented the signing of a mutual peace treaty since 1945.

The talks, which followed a visit to Tokyo by Foreign Minister Eduard A. Shevardnadze in December, were the first held between the two countries specifically on the islands, known in Japan as the Northern Territories. "The Soviet position on the Northern Territories is very unyielding, but they have made it clear that they want to continue with the talks," the official said.

Prague Denies Havel's Freedom Bid

PRAGUE (AP) — A court on Tuesday rejected an appeal to free Vaclav Havel, the dissident playwright. The court instead lessened one charge against him, reduced his term from nine months to eight and ordered a change of prisons.

Mr. Havel was jailed in connection with a protest in Prague in January. Another Charter 77 activist, the Reverend Vaclav Malý, called Tuesday's verdict "prefabricated."

Mr. Havel, 52, had been sentenced to a prison with strict limits on visiting rights and other privileges; he will serve the rest of his term in a prison with less stringent regulations. He had been convicted of incitement and obstructing a police officer, but the court changed the obstruction conviction to a misdemeanor.

Germans Linked to Pakistan A-Arms

BONN (AP) — The weekly magazine Stern reported Tuesday that at least 70 West German companies provided Pakistan with technology to develop atomic weapons and that Bonn officials ignored intelligence reports about the apparently illegal exports.

Prime Minister Benazir Bhutto of Pakistan has repeatedly stated that her country does not have nuclear weapons and has no intention of developing them.

"From special steel, optical equipment and computers to highly explosive uranium, the German companies delivered practically everything that is needed for the construction of an atomic bomb — in part intentionally and in part certainly in good faith," Stern said in report provided in advance of publication Thursday. It added that customs inspectors were "investigating nationwide more than 70 German companies" suspected of illegally providing Pakistan with such equipment.

10 Die as Cargo Jet Crashes in Brazil

SAO PAULO (UPI) — A Transbrasil Airlines cargo jet trying to make an emergency landing crashed Tuesday in a crowded slum near Guarulhos airport, killing at least 10 persons and injuring 80, officials said.

A fire department spokesman said rescuers sifting through the wreckage of houses destroyed by the Boeing 707 feared the number of victims would rise. Rescue teams said the dead included the three crew members. The plane was carrying television sets from the Amazon river port of Manaus to São Paulo, 200 miles (320 kilometers) west of Rio de Janeiro.

Ethics Inquiry Into Wright Widens

WASHINGTON (AP) — The House ethics committee is looking into a real-estate investment by the speaker, Representative Jim Wright, from which he allegedly earned about \$50,000. The chairman of the committee also said Tuesday that the deal involved the chairman of a troubled trust institution.

The disclosure came on the second day of deliberations on the arrangements that led to the publication of a book by Mr. Wright, a Texas Democrat. Representative Julian C. Dixon, a California Democrat, said that the special counsel in the Wright case had looked into the matter.

According to media reports, Mr. Wright and a business partner, George Mallick, invested in a real-estate development near Orlando, Florida, after Richard Swann, chairman of the American Pioneer savings bank there began to develop it in 1985. At the time, Mr. Wright was lobbying federal regulators on behalf of Texas savings and loan institutions, an activity that is the basis for one of six ethics allegations against him.

TRAVEL UPDATE

About 350 people stranded on Corsica for the last five days because of strikes left by air for Paris on Tuesday, airport officials said, but only four of several dozen stranded tourists were on the plane. Strikers who have closed the French Mediterranean island's airports allowed two planes to leave from Ajaccio and Bastia "for humanitarian reasons." Some of those who left were reported to be ill. More than 2,000 tourists and businessmen have been stranded by the strike for higher pay.

Yugoslav rail fares are to double from April 1 because of the state railroad's "difficult" financial situation. Tajik news agency reported Tuesday. During the past year, fares rose by 28.3 percent. Yugoslavia's annual inflation rate is currently running at nearly 1,000 percent, with prices of many items rising daily. (APF)

WEATHER

EUROPE				ASIA			
	HIGH	LOW	COND.		HIGH	LOW	COND.
Amsterdam	18	8	C	Bangkok	34	24	C
Antwerp	18	8	C	Beijing	24	14	C
Berlin	18	8	C	Hong Kong	24	14	C
Birmingham	18	8	C	Manila	24	14	C
Boston	18	8	C	New Delhi	24	14	C
Brussels	18	8	C	Sao Paulo	24	14	C
Cardiff	18	8	C	Shanghai	24	14	C
Copenhagen	18	8	C	Singapore	24	14	C
Dublin	18	8	C	Tokyo	24	14	C
Edinburgh	18	8	C				
Geneva	18	8	C	AFRICA			
Hamburg	18	8	C	Algiers	18	8	C
Heidelberg	18	8	C	Cairo	24	14	C
London	18	8	C	Conakry	24	14	C
Luxembourg	18	8	C	Harare	24	14	C
Moscow	18	8	C	Libreville	24	14	C
Nairobi	18	8	C	Luanda	24	14	C
Paris	18	8	C	Mumbai	24	14	C
Rome	18	8	C	Tunis	24	14	C
Stockholm	18	8	C	LATIN AMERICA			
Vienna	18	8	C	Buenos Aires	24	14	C
Zurich	18	8	C	Lima	24	14	C
MIDDLE EAST				Sao Paulo	24	14	C
Akko	18	8	C	Santiago	24	14	C
Cairo	18	8	C	Valparaiso	24	14	C
Jerusalem	18	8	C	NORTH AMERICA			
London	18	8	C	Atlanta	24	14	C
Moscow	18	8	C	Boston	24	14	C
Nairobi	18	8	C	Chicago	24	14	C
Paris	18	8	C	Denver	24	14	C
Rome	18	8	C	Detroit	24	14	C
Stockholm	18	8	C	Honolulu	24	14	C
Vienna	18	8	C	Los Angeles	24	14	C
Zurich	18	8	C	Manila	24	14	C
OCEANIA				Mexico City	24	14	C
Auckland	18	8	C	New York	24	14	C
Sydney	18	8	C	San Francisco	24	14	C
				Seattle	24	14	C
				Washington	24	14	C

WEDNESDAY'S FORECAST — CHANNELS: Rough, choppy. Breeze: Strong. Rain: Heavy. Fog: Thick. Wind: Strong. Sea: Rough. Visibility: Poor. Temperature: 18-24°C. Humidity: 60-80%. Pressure: 1010-1015 hPa. Clouds: 10-30%. Wind: 10-20 knots. Sea: 1-2 meters. Visibility: 10-20 km. Temperature: 18-24°C. Humidity: 60-80%. Pressure: 1010-1015 hPa. Clouds: 10-30%. Wind: 10-20 knots. Sea: 1-2 meters. Visibility: 10-20 km.

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CIRCLE SIX NUMBERS FROM 1-49 IN EACH GAME YOU WISH TO PLAY																							
GAME 1								GAME 2								GAME 3							
1	2	3	4	5	6	7	8	1	2	3	4	5	6	7	8	1	2	3	4	5	6	7	8
10	11	12	13	14	15	16	17	10	11	12	13	14	15	16	17	10	11	12	13	14	15	16	17
18	19	20	21	22	23	24	25	18	19	20	21	22	23	24	25	18	19	20	21	22	23	24	25
26	27	28	29	30	31	32	33	26	27	28	29	30	31	32	33	26	27	28	29	30	31	32	33
34	35	36	37	38	39	40	41	34	35	36	37	38	39	40	41	34	35	36	37	38	39	40	41
42	43	44	45	46	47	48	49	42	43	44	45	46	47	48	49	42	43	44	45	46	47	48	49
GAME 4								GAME 5								GAME 6							
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26	27	28	29	30	31	32	33	26	27	28	29	30	31	32	33	26	27	28	29	30	31	32	33
34	35	36	37	38	39	40	41	34	35	36	37	38	39	40	41	34	35	36	37	38	39	40	41
42	43	44	45	46	47	48	49	42	43	44	45	46	47	48	49	42	43	44	45	46	47	48	49

Bush May Nunn and the Tower Battle: From Above the Fray to Partisan Infighter

Toughen Gun Laws

Role for Troops Seen in Drug War

By Bernard Weinraub

WASHINGTON — President George Bush is considering tougher measures to curb drug-related problems in Washington, including strengthened gun control measures and the possible use of federal troops, according to administration officials.

In a statement that seemed likely to disturb the gun lobby, Mr. Bush has told visiting state legislators that his thinking was in flux on outlawing some kinds of guns.

The president added that he was prepared to battle the drug problem on "all different fronts" in keeping with the plan of William J. Bennett, the director of national drug policy, to make Washington a national "test case" of the government's ability to control drug-related crime.

Reporters were told that Mr. Bush was willing to consider bringing in the National Guard under federal command, or using regular military forces, if the District of Columbia police force was unable to curb the mounting murder rate in Washington.

However, Mr. Bennett, speaking Tuesday at a drug conference in Paradise Valley, Arizona, said he had no plan to use National Guard troops. The Associated Press reported.

"It's not something that is in the works," Mr. Bennett said. "It's certainly nothing that we've considered as a live option."

With 114 people killed in Washington this year and many inner-city areas subjected to nightly gun-fights, the White House and Congress have become increasingly concerned about the security and reputation of the capital.

Mr. Bennett cited the persistent rumors that the mayor of Washington, Marion S. Barry Jr., is a cocaine user as a complicating factor in dealing with the drug problem in the city. On Sunday, Attorney General Dick Thornburgh said that Mr. Barry's activities continued to be a subject of inquiry by U.S. attorneys.

The Bush administration has not elaborated on how the National Guard might be used.

The National Guard is a state militia largely equipped and paid for by the federal government but under the control of the state governor unless the units are called to federal duty.

Mr. Bush was explicit Monday in saying that despite his long record of supporting the National Rifle Association, he has become convinced that changing circumstances may require a crackdown on semiautomatic weapons.

The president, who has ordered Mr. Bennett to review the issue of semiautomatic weapons to determine if more models should be banned, made it plain that he was grappling with the social and political dimensions of gun control.

Citing his decision to ban the import of semiautomatic assault rifles, pending a review of whether the military-style weapons are being used for sporting purposes, Mr. Bush said, "What we're doing is enforcing the law, determining the suitability for sporting purposes."

His comments expressed what his spokesman, Martin Fitzwater, acknowledged was a shifting view on gun control. "Clearly, there's been some evolution in his thinking," Mr. Fitzwater said Monday.

Lending resonance to the issue are the drug-related fighting in Washington, the recent killing of schoolchildren in California with assault weapons and the disclosure that the first lady, Barbara Bush, has been urging her husband to reconsider his opposition to stricter controls on military-style rifles.

Troop Use Unlikely

In Washington, an aide of Mr. Bennett's also said Tuesday that any use of troops was highly unlikely. The Associated Press reported from Washington.

Mr. Bennett is considering everything from imprisoning drug dealers on barges on the Potomac River and evicting convicted dealers from public housing as possible options in the war on drugs in Washington, his aide said.



Senator Sam Nunn: At first glance, not a man who should fascinate political professionals.

By Robin Toner

New York Times Service

WASHINGTON — After the raw morality play surrounding the nomination of John G. Tower as secretary of defense, Senator Sam Nunn of Georgia seems eager to slip back to the tidy esoterica of missile throw weights.

Over the last week, the chairman of the Armed Services Committee has happily tried to return to the style of the old, bipartisan Sam Nunn — sober, unflashy, a cool craftsman of military policy. He says he is sleeping better, says he is ready to put the Tower fight behind him. It is unlikely that he can.

Many political professionals argue that the battle was one of those transforming moments in American politics, whether he likes it or not, they say, Mr. Nunn has been changed.

Just what this transformation has produced is the subject of debate among political professionals, who have long been fascinated with the senator from Georgia as a power in Congress and as a potential Democratic presidential candidate.

Some argue that Mr. Nunn's influence and mystique in the Senate were largely based on his image of being above partisan politics, an image shattered when he led the

charge against Mr. Tower. Under that rationale, the aura of bipartisanship is like virginity — impossible to regain once lost.

"I think on balance it hurts him," said Thomas E. Mann of the

NEWS ANALYSIS

Brookings Institution. "It's going to be harder for him to stay above the fray."

John Buckley, press secretary to the National Republican Congressional Committee, argued: "Nunn is a larger figure than before. His name recognition has gone up. But the pristine and pure Sam Nunn who had existed in the minds of the elites six months ago has been replaced by a Sam Nunn who — albeit a crafty one — is a partisan animal."

This was not the first time that Mr. Nunn took on a Republican administration. For example, he battled the Reagan administration over how the anti-ballistic missile treaty applied to its program for a space-based missile defense system. But, as Senator Bob Graham, the Florida Democrat put it, "That was a very complicated, sophisticated issue; this was a morality play, relatively easily understood in its basics."

And it played to a far broader

audience. A national poll conducted March 12 to 14, the weekend after the Senate rejected Mr. Tower, found that Mr. Nunn was recognized by 71 percent of those surveyed. Forty percent of them had favorable opinions of him, 12 percent were unfavorable and 19 percent were neutral.

Mr. Nunn is not, at first glance, the kind of man who should fascinate political pros. Ordinarily, his demeanor is so controlled that he makes Michael S. Dukakis seem downright operatic. Unlike many Democratic want-to-be's, Mr. Nunn does not stand out for his hair, his height or his oratory.

But Democrats have spent much of the 1970s and 80s on the lookout for credible national leaders, particularly ones who can speak with authority about what is seen as the party's Achilles' heel — national security issues. So Mr. Nunn, who has the added benefit of being from the South, is a constant figure of presidential speculation.

He has his liabilities. He has long been a principal Democratic spokesman on national security, but his conservative voting record on many domestic issues made many Democrats look askance.

Geoffrey G. Garin, a Democratic poll taker, said: "I think there may

have been some people who thought of him as not really standing up for Democrats, of being somehow above the fray. I think he's established a place for himself as someone who's willing to fight the party's battles, and I think that's an important change for him."

Democratic strategists, who have watched their party crash more than once with candidates not ready for prime time, gave good marks to Mr. Nunn's television manners as he fought those battles. "On the evening news, by style and demeanor, he was calm, reassuring, a statesman," said Frank Greer, a Democratic media consultant.

But opponents note that there was a cost. "He broke out of the pack of being a Democratic senator to being a Democratic leader," said Linda DiVall, a Republican poll taker. "On the other hand, he really put on his partisan spurs."

Mr. Nunn tried hard to present his conduct in the Tower episode as devoid of political motives. Since the fight ended, he has tried hard to play down the notion that he reaped any political gains from it. "I don't see this as having any effect whatsoever on my position in the Democratic Party," he said at one point. "I have no plans nor any inclination to run for president in 1992," he said at another.

Roh Set to Offer Compromises on Political Issues

By Peter Maass

Washington Post Service

SEOUL — President Roh Tae Woo plans to follow up his postponement of a referendum on his rule by offering to compromise with the opposition on major issues, according to officials of the governing party.

Mr. Roh will do so in a bid to move away from the politics of confrontation, the party officials said Tuesday.

In a nationally televised speech a day earlier, Mr. Roh postponed indefinitely a promised "midterm appraisal" of his rule. He said that a vote could spark violent protests and threaten democratic changes.

To offset the decision, the governing Democratic Justice Party

plans to offer several political sweeteners to the opposition, including talks on requiring Chun Doo Hwan, the former president, to testify before the National Assembly about misdeeds during his time in office.

While extremists on the right and left pushed for the referendum, few in the governing and main opposition parties seemed to want the vote to be held. Some opposition leaders recently called for a postponement of the referendum, then planned for April.

According to local news reports, two of the opposition leaders, Kim Dae Jung and Kim Jong Pil, telephoned Mr. Roh's top aides Monday to express their support for the move. Only a handful of Mr. Roh's

advisers appear to have known in advance that he was planning to postpone the referendum.

The motives of the opposition leaders who supported Mr. Roh's decision varied. But some of them have indicated that they would have had more to lose than gain from a referendum and that a vote would only serve the purposes of extremists.

The referendum would have offered an opportunity to weaken or bring down Mr. Roh's government. But there also was a chance that he could win by playing on voters' fear of chaos. Even if he had lost, the ensuing instability could have led to a crackdown rather than a new election.

By postponing the vote, Mr. Roh

appeared to be seeking to break a political deadlock through negotiation rather than through a "frontal attack" — a phrase many South Korean newspapers used to describe the planned referendum.

It was unclear, however, whether Mr. Roh and the opposition parties would be able to seriously negotiate and reach agreement on several contentious issues.

The two sides have been battling over several key matters since Mr. Roh took office in February 1988. Opposition leaders have complained that he has been moving slowly in the last year on issues they see as crucial to the development of democracy.

If they are unable to work together, then the instability that

many feared would result from a referendum could still erupt.

The Korea Herald said in an editorial, "Any attempt to merely put off the crisis over the evaluation, without addressing the problems intrinsic in the test, would only serve to further increase the imminence of the problem."

Along with many other newspapers, The Korea Herald welcomed the postponement of the referendum, but chided Mr. Roh for failing to propose a plan for dealing with Mr. Chun and other figures responsible for past abuses. These include the crushing by the military of a 1980 civilian uprising in the city of Kwangju.

But some news reports portrayed the government as moving to reach out to the opposition. Officials of the governing party were quoted as saying that Mr. Roh wanted to meet with the main opposition leaders to discuss major compromise.

The Democratic Justice Party also was reported to be ready to end its boycott of parliamentary investigations into the Chun era. There also were reports of a planned reshuffle of the cabinet and the party.

Bush Seeks 'Clarifications' on FSX Jet

Reuters

WASHINGTON — President George Bush said Tuesday that he wanted to go ahead with joint U.S.-Japanese production of the FSX fighter plane "with certain clarifications" and was awaiting Japan's response.

"I don't know when there'll be an official announcement but I've made my decision to go forward with certain clarifications," Mr. Bush told reporters during a brief question-and-answer session in the Oval Office. The FSX would be an advanced version of the American F-16 fighter.

U.S. Details Changes

David Hoffman and Stuart Auerbach of The Washington Post reported earlier from Washington: Senior advisers to President

Bush have informed Japan's ambassador to the United States of changes that Mr. Bush wants in the fighter-plane project, administration sources said.

Ambassador Nobuo Matsunaga was called to the State Department for a meeting with Secretary of State James A. Baker 3d, Defense Secretary Dick Cheney, Commerce Secretary Robert A. Mosbacher and Brent Scowcroft, the national security adviser, according to a White House official.

The meeting on Monday was a sign that Mr. Bush had decided to place restrictions on the technology that would be shared with Japan for the design of the new fighter plane, called the FSX.

One of these decisions, the sources said, involved a compro-

mise about what are known as "source codes" or blueprints of the computer software used to control the plane and its weapons. The compromise, the sources said, is that sensitive data are to be shared for this project but with restrictions designed to prevent Japan from applying the technology to other aircraft.

This and other modifications to an agreement negotiated during the Reagan administration are the result of criticism from Mr. Mosbacher and some members of Congress that the United States was giving Japan advanced technology that could help Tokyo develop its civil aviation industry.

However, the accord has been pushed by Defense Department officials and by Mr. Baker on

grounds that it would strengthen U.S.-Japanese ties and would provide technological benefits to the United States as well.

On Saturday, Mr. Bush held a second lengthy meeting with his senior advisers on the complicated issues involved in the FSX project, which has divided his cabinet and become the first major foreign-policy decision of his administration. At a contentious meeting last Wednesday, Mr. Bush heard opposing views in which his economic advisers objected to sharing the technology while his defense and foreign policy advisers generally backed the arrangement.

The FSX accord was negotiated after Japan said it wanted to build its own jet fighter, but the United States insisted on a joint project.

Hawke, Crying on TV, Admits Adultery in Past

The Associated Press

SYDNEY — Prime Minister Bob Hawke, dogged by questions about his personal life, admitted during a television interview broadcast Tuesday to having been unfaithful to his wife of 33 years.

Mr. Hawke, pressed by an interviewer to explain why some Australians viewed him as a "womanizer," said that he had committed adultery but that he would no longer do so.

With tears welling up, he said he loved his wife, Hazel, and said that she was an "incredible woman."

He said that "she understood" that infidelity was part of his "pretty volatile, exuberant character." He said she also knew that his love for her had never changed.

The couple celebrated their 33d wedding anniversary two weeks ago, but Mr. Hawke and his wife started dating each other more than 40 years ago.

"I guess there are not many women who would have put up with me all that time," Mr. Hawke said. He gave no details about his sexual liaisons.

The 59-year-old Labor Party leader also made references to his drinking problems in the past. "I was never an alcoholic in the sense that I couldn't work," said

Mr. Hawke, who has said he stopped drinking alcohol in 1979.

Mr. Hawke's biographer, Blanche d'Alpuget, says his drinking once earned him an entry in the Guinness Book of Records when he drank 2 and a half pints of beer in 12 seconds while studying at Oxford University in Britain.

The prime minister must call elections in mid-1990 and has said he will seek a fourth three-year term as prime minister. His public support is believed to be eroding because of rising interest rates, higher taxes and other economic woes.

Mr. Hawke has been followed by questions about his personal life for years. But he had never admitted he cheated on his wife. His confession caused a sensation in the news media.

The leader of the opposition Liberal Party, John Howard, refused to comment on Mr. Hawke's admission.

The deputy prime minister, Lionel Bowen, said he found it "interesting" but did not elaborate.

Clover Moore, an independent member of the Sydney Council, said she thought many women would be angry about the prime minister's admission of infidelity.

"I think it's very cruel of him to publicly humiliate his wife," she said.

Poland to Release Priest's Murderer

United Press International

WARSAW — One of the four killers of a pro-Solidarity priest will be released from prison after serving only 4½ years of a 14-year sentence, the government spokesman, Jerzy Urban, said Tuesday.

"The punishment of Waldemar Chmielewski expires in the last 10 days of April," Mr. Urban said. Father Jerzy Popiełuszko, who drew thousands with his sermons demanding the re-legalization of the Solidarity labor movement, was killed by four security agents. Ironically, former Lieutenant

It was not the first time that Mr. Hawke has bared his soul in public since he became prime minister six years ago.

In 1984, he cried during a televised news conference about drug abuse. Mr. Hawke later revealed their daughter and son-in-law had been heroin addicts.

ANATO Command Changed

The Associated Press

CASTEAU, Belgium — Vice Admiral Jonathan T. Howe of the United States has been named commander in chief of NATO forces in southern Europe, it was announced Monday.

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Shamir Denounces Reported Advice On PLO as 'A Lie'

By Glenn Frankel

Washington Post Service

JERUSALEM — Prime Minister Yitzhak Shamir branded as "a lie" Tuesday newspaper reports that Israel's military intelligence chief had told the cabinet that the government would have to speak to the Palestine Liberation Organization if it wanted to end the Arab uprising.

"All was a lie, all included in this information was a lie," Mr. Shamir said at the conclusion of a special meeting of top Jewish leaders that was intended to demonstrate solidarity and rally support for the prime minister before he travels to Washington in two weeks.

"I don't know anything about this report," Mr. Shamir added. But other government officials, speaking not for attribution, confirmed the existence of a secret annual intelligence estimate prepared under the direction of Major General Amnon Shabak. They said, however, that news accounts had distorted its contents and had taken them out of context.

Pressed to elaborate, one official said that while the report had warned that the government must eventually talk to the PLO, it had also said that the movement's goal of an independent Palestinian state in the occupied West Bank and Gaza Strip would be a "mortal danger" to Israel.

The intelligence estimate, disclosed Monday to Israeli reporters, contends that the main wing of the PLO has become a pragmatic movement that is prepared for a peaceful settlement with Jewish state. That contention directly contradicts repeated statements by Mr. Shamir that the organization remains a terrorist movement dedicated to the destruction of Israel.

The growing dispute over the intelligence estimate did not dim enthusiasm for the conference on Jewish solidarity, which Mr. Shamir and other officials called a triumphal success.

Dozens of Jewish leaders did not attend because they feared that the conference would constitute an endorsement of Mr. Shamir's hard-line policies. But nearly 1,600 delegates from 42 countries did come, 739 of them from the United States.

Mr. Shamir said that he had called the two-day meeting because "we are facing now all over the world a campaign of slander, of lies, against the Jewish people, against the state of Israel." He said that these "lies" included claims

that Jews were divided or ambivalent in their support for Israel.

"We must dispel the perception abroad that the Jewish people is divided; that there is a weakening of the bonds between Israel and the Jewish diaspora; that Israel's image has been tarnished and that Israel's policies are being questioned, even by Jews," he said.

He declared that the conference had demonstrated "general, total support of all the Jewish people for the state of Israel."

At the opening session Monday, several speakers criticized Israeli policy and warned that the government should be prepared to reverse its position and enter into talks with the PLO.

"Ultimately, talks are held with your enemies and not with your friends," said Lionel Koplovitz, president of the British Board of Deputies, the umbrella Jewish organization in Britain. "Israel must recognize the moral high ground and provide the agenda for peace for this region."

There were no such expressions of dissent Tuesday. Seymour Reich, chairman of the Conference of Presidents of Major American Jewish Organizations, said that there was "no erosion" in Jewish support for Israel.

But he denied that the conference was in effect an endorsement of Mr. Shamir's refusal to negotiate with the PLO.

Baker Reiterates Possible Necessity Of Direct Israeli Talks With PLO

By John M. Goshko

Washington Post Service

WASHINGTON — Secretary of State James A. Baker 3d reiterated Tuesday that it might someday be desirable for Israel to deal directly with the Palestine Liberation Organization, but he stressed that the United States did not necessarily advocate that course and was not trying to force it on Israel.

Mr. Baker's testimony to Congress was described by informed sources as an attempt to reassure Prime Minister Yitzhak Shamir of Israel that when he visits here on April 6 the administration will not pressure him to follow the U.S. lead and open a dialogue with the PLO.

Mr. Baker spoke as the White House announced formally that Mr. Shamir, President Hosni Mubarak of Egypt and King Hussein of Jordan would come to Washington during the next six weeks to explore prospects for Middle East peace. Mr. Mubarak will visit President George Bush April 3 and will be followed by Mr. Shamir on April 6 and King Hussein on May 2.

The secretary also spoke as the U.S. ambassador in Tunis, Robert H. Belliveau Jr., was preparing for Wednesday's resumption of the dialogue that the United States opened with the PLO last December after the PLO chairman, Yasser Arafat, renounced terrorism and recognized Israel.

Israel strongly opposed the U.S. move. Israeli concern that the United States might be shifting away from its long-time opposition to including the PLO in Middle East peace talks was heightened last week when Mr. Baker, in two consecutive congressional appearances, said he could not exclude the possibility that Israel might someday have to talk with the PLO about the status of the Israeli-occupied West Bank and Gaza Strip.

Informed sources said Mr. Baker's remarks, made while Israeli Foreign Minister Moshe Arens was visiting Washington, were intended as a signal that the United States would not wait indefinitely for the Shamir government to devise a plan for easing tensions in the territories through talks with Palestinian residents not tied directly to the PLO.

The comments caused alarm in Jerusalem. As a result, the sources said, Mr. Baker indicated that he wanted to clarify his remarks in order to calm Israeli anxieties. He got his opportunity Tuesday in the congressional testimony.

He repeated that the administration did not favor establishment of an independent Palestinian state in the territories, said that the best avenue to peace would be through talks between Israel and the Palestinian residents and asserted that his remarks last week did not contain "an inevitable conclusion" that Israel must negotiate with the PLO.

"We have not made a policy decision that we are going to take a stand that they must," he said. "At the same time, I think it would be a major mistake for us to categorically, absolutely, totally and completely rule out, under any and all circumstances, any dialogue that might lead us toward peace."

"That happens to be my view. It was my view last week; it is my view this week. I think it is a very reasonable view, particularly in light of what's happened since our own dialogue began."

PLO Optimistic on Talks

The PLO, preparing for a second round of talks with the United States on Wednesday, said it saw an improved atmosphere after Washington's latest moves in the Middle East. Reuters reported.

Confident that a dispute over terrorism is out of the way, the group will concentrate on pursuing Washington to support plans to hold an international conference on Middle East peace, a PLO spokesman said Tuesday.

"There has been a significant change in the U.S. position and the atmosphere is much better," said Ahmed Abderrahman.

He said the PLO and Washington were in agreement on the idea of peace through Israeli withdrawal from the occupied territories, while Israel stood alone in opposing that. He called Mr. Baker's statement that Israel might have to talk to the PLO "progress, and we welcome it."

Routes Cut To Christian Heartland Of Lebanon

By Nora Boustany

Washington Post Service

BEIRUT — Moslem militias and Syrian troops severed all access routes Tuesday to the Christian heartland in Lebanon, imposing a blockade on territory under the control of the Christian army commander, General Michel Aoun, and leaving the northern port of Jounieh as the only access point.

The move to cut off the Christian area from the rest of the country followed continued shelling between troops loyal to General Aoun and Moslem militias, mainly members of the Druze Progressive Party, across Beirut and the mountains to the north and southeast.

General Aoun, the disputed head of a Christian military cabinet rivalled by a Moslem civilian one, charged Tuesday in a radio interview with a French station that Syria was a terrorist state holding four million Lebanese hostages.

A military spokesman in East Beirut, the Christian-dominated sector of the capital, accused "the Syrian occupying forces" of imposing the siege in line with "designs to partition the country" along religious lines.

A naval and aerial blockade imposed by General Aoun on March 7 against militia-run ports along the Moslem and Syrian-controlled coast south of Beirut sparked the fighting two weeks ago.

Demanding that the Syrians pull out of Lebanon completely, General Aoun called on the Lebanese to rise up in a war of liberation against the Syrian occupation.

Rather than confront the Lebanese Army militarily, Syria appears to have initiated the blockade to isolate the Christian Maronite general and deflate his popularity among Lebanese Christians.

Reacting to a European Community call for foreign troops to leave Lebanon, the Syrian foreign minister, Farouk Shara, threatened in Paris on Tuesday that Syrian forces in Lebanon are not foreign forces.

On Monday, EC foreign ministers voiced concern at the resurgence of Moslem-Christian fighting in Lebanon and reiterated their call for "full sovereignty and independence" without the presence of any non-Lebanese forces.

General Aoun has appealed to France, the United States and other Western countries to stand up to Damascus.

"I don't come on others to liberate me," he said in the radio interview. "I count on myself."

"I have the right to ask France or the United States or other countries for help," he added, "because they are committed to defend democracy and the values we believe in."

Ten shells landed on Jounieh on Tuesday, Walid Jumblatt, the leader of the Druze, has vowed to keep pressure on the Christian port until all other harbors are allowed to operate freely.

3 UN Troops Killed

A mine exploded Tuesday under a truck carrying United Nations peacekeeping troops in Lebanon, killing three Irish soldiers and destroying the vehicle, The Associated Press reported from Jerusalem.

Two of the soldiers were killed immediately; a third who was severely wounded was taken by helicopter to a UN hospital in Naqurah but died, according to Lieutenant Colonel Patrick Keogh, the senior operations officer.

The UN Interim Force in Lebanon numbers nearly 6,000 men. Colonel Keogh said the mine blew up near the village of Barchit, 10 kilometers (6 miles) north of the border.

Police in South Africa Break Up Protests on Anniversary of Killings

By William Claiborne

Washington Post Service

JOHANNESBURG — The 29th anniversary of the Sharpeville massacre was marked Tuesday by widespread violence in Natal Province and elsewhere in South Africa as the police broke up demonstrations with tear gas and blasts of bird shot.

Some of the protests were intended to focus on the detention without trial of about 300 black political prisoners. Pretoria has ordered the release of 580 detainees since mid-February in response to an intermittent hunger strike that began in January.

Meanwhile, the law and order minister, Adrian Vlok, said that release orders had been issued for four political detainees who escaped from a Johannesburg hospital Monday and sought refuge in the West German Embassy in Pretoria.

He said the four men could leave the embassy without fear of being rearrested.

Earlier he had said that the authorities would not be "blackmailed" into freeing detainees. But he also said that the death of even one prisoner from the hunger strike would be "too ghastly to contemplate."

Most of the violence related to the Sharpeville anniversary occurred in black townships near the Indian Ocean port of Durban, where black youths tried to enforce a protest strike by erecting street barricades and hurling stones and firebombs at buses.

The police in Pretoria said that four persons, all of them blacks, were injured and that about 20 had been arrested in the Durban area.

Scattered incidents also were reported in three townships near Johannesburg.

Unlike previous years, anti-apartheid groups and black trade unions made no effort to coordinate a nationwide general strike to commemorate the clash on March 21, 1960, when the police opened fire on a crowd in Sharpeville, south of Johannesburg, killing 69 people and wounding 186.

Most of the victims of the massacre were shot in the back as they ran away from a peaceful march to protest rent increases.

The killings signaled the end of a nonviolent anti-apartheid campaign begun in the 1950s, and were soon followed by the formation of the guerrilla wings of the African National Congress and the Pan Africanist Congress.

The protests Tuesday also were intended to commemorate the death four years ago of 20 blacks in the Langa township near Uitenhage, in the eastern Cape Province. The blacks were shot during a funeral procession for victims of township turmoil on the 25th Sharpeville anniversary.

Black trade unions said that work stoppages were only scattered and partly effective throughout the country on Tuesday. Most employers have adopted a policy of withholding pay but imposing no discipline on workers who observe the Sharpeville anniversary.

Brigadier Leon Melet of the Law and Order Minister said that the four escapees in the West German Embassy were "legally free." But he declined to say whether restrictions had been placed on them, as has been the case with more than half the detainees released so far.

"They will not be arrested if they walk out of there, that assurance I can give you," he said.

Restrictions have included an overnight curfew, a ban on meetings with more than several people, a prohibition against political activism and a twice daily check-in with the local police.

It was unclear Tuesday night whether the four escapees intended to leave the embassy.

INFLATE: Price Pressures Mount

(Continued from page 1)

labor productivity in Japan, which have averaged 3 percent a year. "Everywhere, there have been nasty inflation shocks," said Jeremy Hale, senior international economist for Goldman Sachs International.

Britain shows perhaps the most clear-cut case of an overheating economy. Strong growth and a consumer boom have combined to create the highest rate of inflation among the major industrialized countries. Retail prices surged ahead 7.5 percent for the year ended January. Surveying the British economy when he presented the national budget last week, Nigel Lawson, the chancellor of the Exchequer, said, "the real threat is posed by the increase in inflation."

Few of Mr. Lawson's counterparts in other countries would be apt to make similar admissions, for fear of encouraging a wage-price spiral. Most treasury and finance ministers prefer to downplay their worries about rising prices, rather than be seen as contributing to an inflationary psychology that results in higher wage demands by workers, thereby putting still more pressure on prices.

Indeed, average wage settlements are climbing in Britain. "And we're all going to face an inflationary spiral," said Henry A. Sweetbaum, chairman of Wicks PLC, a leading retailer of home-improvement products with 7,000 employees.

Yet Britain has also taken action to combat inflation, tightening monetary policy and sending domestic interest rates up 4 percentage points since last summer, to 13 percent.

Because monetary policy is the principal tool for fighting inflation worldwide, central bankers tend to push up interest rates in response to surges in inflation. The yields on bonds also tend to rise with each uptick in inflation. The interest-rate differences among major economies, in turn, become potential new sources of volatility in the foreign-exchange markets.

For example, the recent firmness of the dollar is largely explained by interest rates being raised in response to higher domestic inflation.

However, a stronger dollar tends to aggravate the chronic U.S. trade deficit, by making it easier for American consumers to buy imports. It was the huge trade deficit that led to international policy cooperation aimed at gradually pushing down the value of the dollar. The U.S. currency has fallen more than 40 percent against other major currencies since the autumn of 1985.

Clearly a rising dollar, propped up by higher interest rates, cannot be sustained indefinitely. Only last year, the foreign exchange markets focused single-mindedly on the monthly U.S. trade-deficit reports. But with the trade gap recently changing less from month-to-month — though it remains large — the traders have turned their attention to fast-moving interest rates.

"What catches the eye is something that moves," said Constantine Thannassoulas, a senior analyst on the currency desk of Barclays Bank PLC. "That's part of the trading mentality."

How long currency traders will take their main cues from interest-rate movements depends on how long it will take governments to curb inflation.

BRAZIL: Faith Has Faded in Democracy as Cure for Social-Economic Ills

(Continued from page 1)

postponed — decades ago. Over the years, one problem has spawned another to the point that, in the short term at least, none can be isolated and addressed.

For example, Brazilians of all classes are traumatized by growing urban violence. But this phenomenon is a result of the explosive growth of the cities, a product of the exodus of impoverished peasants from the countryside, which, in turn, a consequence of the absence of a land distribution program.

At the same time, while most Brazilians cannot feed themselves adequately, the country exports to produce a record 70 million tons of grain this year. But since most of this food must be exported to help service the foreign debt, successive governments have been unwilling to break up large private farms.

Destruction of the Amazon rain forest is a dramatic example of the forces at work. Settlers clear jungle to farm soybean land is denied them in other regions. Hydroelectric dams flood vast areas because Brazil cannot afford to depend on imported oil. Mining companies are encouraged to exploit the mineral deposits of the region to increase export revenues.

All this takes place chaotically because, despite centuries-old bureaucratic tradition and the recent period of military rule, the Brazilian state remains remarkably weak. Just as it cannot prevent devastation of the Amazon, it has been unable to bring order to the country's development process.

One sign is the booming underground economy, which embraces many wealthy tax evaders as well as legions of street peddlers. In a country of 145 million people, only about 3 million pay income tax, most of them middle-class employees whose contributions can be deducted at the source.

Alternating price freezes and inflation also stimulate financial speculation rather than investment and force Brazilians to improve constantly to make ends meet.

"It's every man for himself," said a bus driver who earns the equivalent of \$200 a month. "You have to worry about your family. You can't worry about the country."

The idea of informality even stretches into the administration of justice. Since the police have proved unable to control urban crime, so-called "extermination

groups" in the poor neighborhoods of major cities routinely kill assassins or rapists to the silent approval of local residents.

But perhaps the most dramatic informality is in politics, where, aggravated by two decades of authoritarianism, the absence of strong political parties, trade unions, professional organizations and other transmission belts of public opinion helps explain the traditional weakness of Brazilian democracy.

Further, many politicians view elected office or government jobs as opportunities to enrich themselves, family and friends. And when it comes to elections, they often apply the same rule, building their campaigns around promises of assorted handouts rather than ideological platforms.

Because Brazilians in their 30s and 40s grew up under military rule without the opportunity to take part in politics and no one under age 30 has ever voted in a presidential election, most dominant political figures today were either important before the 1964 coup or were promoted to influence by the generals.

The continued political power of the armed forces, who still view themselves as guardians of law, order and nationalism, underlines the vacuum of civilian power. There is no leftist politician willing either to remind the generals of their past human rights abuses or to suggest they keep out of politics.

While history shows that Brazilians often look to the armed forces to provide leadership in periods of political confusion, this is not happening at present. This is at least in part due to the growing awareness that the social crisis and the foreign debt are the legacy of the economic model adopted by the last military regime.

In contrast to the group that seized power in 1964, the senior generals of 1989 appear to have no blueprint for putting the country back on track. They seem willing to leave the job to politicians, perhaps gambling that in time the last period of military rule will be remembered more fondly.

The next test, then, will be the presidential election this year, in which two leftists, Leonel Brizola of the Democratic Labor Party and Luis Inacio da Silva of the Workers' Party, are the front-runners in a field of a dozen candidates.

While the armed forces have pledged to recognize the winner, the possibility of a leftist victory has raised the specter of instability. Since only presidential elections are scheduled, the chances are great that the winner will not control Congress, setting the stage for battles between the executive and legislative branches in the approach to congressional elections in November 1990.

For many Brazilians, disappointed by the return of civilian rule in 1985, the magic of democracy faded even before it was properly installed. Although dismayed by the challenge, they have come to recognize that, rather than being a turnkey solution, democracy has still to be constructed.

PERU: Insurgents Are Near Lima

(Continued from page 1)

1985 and called on all political parties to join a national effort against Shining Path and smaller guerrilla groups.

Shining Path is thought to include no more than 3,000 armed guerrillas but to have 10 times that many sympathizers.

"We will not win with the rifle," said retired General Adrian Huaman, former leader of the war against Shining Path. In an interview with the newspaper La Republica, "What we have to do is influence the people," he said, "convince them that the current system is better."

General Huaman's view of the problem as political rather than military was largely responsible for his losing his command nearly five years ago.

Shining Path has spread from its birthplace in the mountain city of Ayacucho, southeast of Lima, up the spine of the Andes into northern Peru and the Upper Huallaga Valley, which is the source of as much as half the world's supply of cocaine. There the guerrillas are reported to act as intermediaries, winning for the peasants higher prices for their coca leaves from drug traffickers.

The drug trade is potentially a vast source of funds for Shining Path, and the weapons the group might be able to purchase is of great concern to the 15 to 20 U.S. Drug Enforcement Administration agents who are actively supporting Peruvian authorities in their campaign to eradicate coca in the valley.

The nine U.S. helicopters used in the campaign "get shot at all the time," by both traffickers and Shining Path, said Craig Christen, the chief agent in Peru of the U.S. Agency. But so far, he said, agents have not encountered sophisticated weaponry.

Shining Path's weapons of choice are dynamite, which is plentiful in this mining nation, and arms that they steal from soldiers and the police. The group is not known to receive any aid from outside the country.

All 259 people aboard Pan Am flight 103 and 11 villagers were killed when the Boeing 747 was blown up over Lockerbie, Scotland, by explosives hidden in a radio-cassette player placed in a luggage compartment.

Mr. Channon withstood Mr. Kinnoch's detailed cross-examination and rejected repeated demands that he resign because of his alleged failure to provide airlines rapidly with detailed West German intelligence reports.

"It is my responsibility to ensure that our airports and airlines respond vigorously to the threat that now exists from international terrorism," Mr. Channon said.

Prime Minister Margaret Thatcher sat at Mr. Channon's side during the half hour cross-examination. "Paul was superb," she said afterward.

But another Conservative, John Wakehill, the leader of the House, said it was "very much to be regretted" that Mr. Channon's department had delayed in sending out to concerned airlines a color photograph and technical details of a bomb seized by West German police on Oct. 26 in a raid on radical Palestinians.

He was referring to a Department of Transport directive dated Dec. 19, two days before the Lockerbie disaster, which was not mailed until early January.

The bomb consisted of barometrically-triggered Semtex explosive hidden in a Toshiba radio-cassette player.

U.K. Aide Denies Laxity In Bombing

By Jonathan C. Randal

Washington Post Service

LONDON — Transport Secretary Paul Channon defended in parliament his handling of events surrounding the terrorist destruction of a Pan American World Airways airliner last Dec. 21.

Mr. Channon rejected a call by the leader of the opposition Labor Party, Neil Kinnock, for an independent inquiry into his stewardship before the disaster.

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Mr. Channon's handling of the events surrounding the terrorist destruction of a Pan American World Airways airliner last Dec. 21.

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WORLDWIDE ENTERTAINMENT

PRINCIPALITY OF MONACO

SPRINGTIME ARTS IN MONTE-CARLO

OPERA

"ACQUARO" (March 24/25/26)

In complete production of the French version of the opera, the country

From March 21 to April 1991

RECEIPTS

Modest (March 21/22)

Shade (March 23/24)

Shade (March 25/26)

Shade (March 27/28)

CHAMBER MUSIC

Pro Company (March 21/22)

Pro Company (March 23/24)

Pro Company (March 25/26)

Pro Company (March 27/28)

SYMPHONIC MUSIC

Pro Company (March 21/22)

Pro Company (March 23/24)

Pro Company (March 25/26)

Pro Company (March 27/28)

THEATRE

Pro Company (March 21/22)

Pro Company (March 23/24)

Pro Company (March 25/26)

Pro Company (March 27/28)

Pro Company (March 29/30)

Pro Company (March 31/1)

Pro Company (April 2/3)

Pro Company (April 4/5)

Pro Company (April 6/7)

Pro Company (April 8/9)

Pro Company (April 10/11)

Pro Company (April 12/13)

Pro Company (April 14/15)

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AP/12/15/89

To the readers of the International Herald Tribune.

The Chase Manhattan Bank, N.A.
1 Chase Manhattan Plaza
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Thomas G. Labrecque
President



March, 1989

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Thomas G. Labrecque,
President.

Herald Tribune

Israel, PLO, America

The search for a peace between Israel and the Palestinians is in an uncertain phase. The Palestinians, speaking through the PLO, insist that they are ready for a permanent peace with Israel, and plead to be tested by negotiation on the specific terms. Half of Israel, perhaps half of each Israeli, would respond. But the other half runs the government and speaks for the country as a whole, and it says no to the basic Palestinian demand for a state, no to recognition of the PLO, no to withdrawal from or elections on the West Bank. It prefers territory to peace on any conceivable terms that might be arranged with the PLO, which it regards as irredeemably treacherous and terrorist, and it argues that Israel is more secure bearing the risks of the status quo.

To meet the current demand for diplomatic movement, the Israeli government demands to deal with representative non-PLO interlocutors of its choosing; no one else thinks any exist. It offers to negotiate some version of the autonomy outlined in the 10-year-old Camp David agreement. This agreement brought Israeli peace with Egypt but failed in its second purpose of facilitating Israeli-Palestinian accord. The PLO resists starting again down the Camp David road when it has no assurance that Israel will countenance establishment of a Palestinian state at the end of it.

Maneuvering for advantage, both parties have turned to Washington. The Palestinians believe they have earned American support for the negotiated peace with Israel that they now seek and that the Israelis now reject. The Israelis ask support for fending off an unprecedented political

ARENA on Probation

El Salvador's ARENA party wants Washington to believe that its presidential candidate, Alfredo Cristiani, the declared winner of Sunday's election, leads a newly moderate cause. That warrants skepticism; the party was founded by former Major Roberto d'Aubuisson, long linked to notorious death squads. But there is no need for the United States to speculate. The character of a Cristiani government will be clear soon enough. If political savagery unfolds, the United States will almost certainly cut aid.

Mr. Cristiani, who has won a majority victory over the incumbent Christian Democrats and leftist challengers, knows that. He wrote last week (*HTT, Opinion, March 17*): "We are pledged to continue and improve on the efforts of the Duarte government to respect human rights. We intend to find and punish offenders. ... We will work hard with military and security officers coming up through the ranks to end human rights violations." He thus set the standard by which he will be judged in taking the presidential oath in June from the ailing José Napoleón Duarte.

Mr. Cristiani has been at pains to present ARENA as a mainstream conservative alliance. He says the true extremists in El Salvador are Marxist guerrillas who terrorize the countryside and did their best to disrupt an election process during which 33 people were killed, including three journalists.

Before Mr. Duarte's election in 1984, El

The Old Ball Game

It appears that Baltimore's new baseball stadium, scheduled to open about three seasons hence, will be as up to date, futuristic and state-of-the-art as the hand of man can make it — which is to say that it will look like something built around 1919. That's the current trend in ballparks: the Ebbets Field look, modeled loosely on the long gone home of the Brooklyn Dodgers.

It includes natural grass playing fields, a smaller number of seats for increased intimacy, and possibly even — should one be so fortunate as to have the field's dimensions dictated by the presence of tenements or grimy industrial structures around it — an irregularly shaped outfield, the hallmark of many an old park.

All this is a welcome relief from the cold concrete Os that American cities erected during the 1960s. But making a stadium authentically archaic is a tricky business, requiring careful attention to detail. In the interest of getting it right, here are a few suggestions for stadium builders:

Other Comment

Movement in the East Bloc

The dilemma of how to deal with the changes and turmoil in Eastern Europe and the Soviet Union has confronted the Western alliance continually since World War II: whether or not to help discredited Communist regimes stay in power in order to "manage" the gradual decline of the Soviet empire. Western attempts to influence or even to control change in the East are as old as the policy of containment itself. Over the years they have not proved very successful. In any case, dissension within the Western alliance, and particularly a situation which casts doubt on the reliability of its German component, are unlikely to further the reform process in Eastern Europe.

— *New Zürcher Zeitung (Zurich).*

We should be clear that, reforms notwithstanding, the Soviet Union, Eastern Europe

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Editor for Asia: Michael Richardson, 5 Cemetery Road, Singapore 0511. Tel: 473-7768. Telex: 855928. Asia Headquarters Office: 50 Gloucester Road, Hong Kong. Tel: 5810616. Telex: 61170. Managing Dir. U.K.: Robin MacKinnon, 63 Long Acre, London WC2E. Tel: 836-4802. Telex: 263029. Gen. Mgr. W. Germany: W. Lautbach, Frankfurt 13, 6000 Frankfurt 14. Tel: (069) 726755. Telex: 416231. Pres. U.S.: Michael Cowie, 830 Third Ave., New York, N.Y. 10022. Tel: (212) 733-8888. Telex: 471775. S.A. capital of 1,200,000 F.R.C. Number 8733201126. Commission Paritaire No. 61337.

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The Environment Indicts Our Civilization

By Albert Gore Jr.

The writer is a United States senator from Tennessee. He was a candidate last year for the Democratic presidential nomination.

WASHINGTON — Humankind has suddenly entered into a brand new relationship with our planet. Unless we quickly and profoundly change the course of our civilization, we face an immediate and grave danger of destroying the worldwide ecological system that sustains life as we know it.

It is time to confront this danger. Sixty years ago, as war clouds gathered over Europe, many refused to see what was about to happen. No one could imagine a Holocaust, even after shattered glass had filled the streets on Kristallnacht. World leaders waffled and waited, hoping that world war could be avoided. Later, when aerial photographs revealed death camps, many pretended not to see. Even now, many fail to acknowledge that victory was not only over Nazism but also over dark forces deep within us.

In 1989, clouds of a different sort signal an environmental holocaust without precedent. Once again, world leaders waffle, hoping that the danger will dissipate. Yet today the evidence is as clear as the sounds of glass shattering in Berlin.

Listen: The earth's forests are being destroyed at the rate of one football field's worth every second, about one Tennessee's worth or three Switzerland's worth every year.

An enormous hole is opening in the ozone layer, reducing the earth's ability to protect life from deadly ultraviolet radiation.

Living species die at such an unprecedented rate that more than half may disappear within our lifetimes.

Chemical wastes, in growing volumes, seep downward to poison ground water and upward to destroy the atmosphere's delicate balance.

Huge quantities of carbon dioxide, methane and chlorofluorocarbons in the atmosphere have trapped heat and raised global temperatures.

Every day, 37,000 children under the age of 5 die of starvation or preventable diseases made worse by failures of crops and politics.

Why are these dramatic changes taking place? Because the human population is surging. (It took a million years to reach two billion people. In the last 40 years world population has doubled, and in the next 40 the number of people could double again.) Because the industrial, sci-



Drawing by PENU

global environmental crisis, and hope against hope that it will yet prove unnecessary?

This crisis is so different from anything before that it is hard to believe it is real. We seize scientific uncertainties, however small, as excuses for inaction. Some would rather adapt to the threat than confront it.

Our complacency stems in part from a standard of living dependent on rapid consumption of the earth's resources. Our generation has inherited the idea that we have the right to appropriate for ourselves the earth's accumulated treas-

ures as quickly as we can consume them. We reach back through millions of years for the deposits that fuel our industrial civilization.

Just as a drug addict needs increasing doses to produce the same effect, our global appetite for the earth's abundance grows each year. We transform the resources of the past into the pollution of the future, telescoping time for self-indulgence in the present.

In 1987, carbon dioxide levels in the atmosphere began to surge with record annual increases. Global temperatures are also climbing: 1987 was the second hottest year on record; 1988 was the hottest. Scientists now predict that our current course will raise world temperatures five centigrade degrees in our lifetimes. The last time there was such a shift, it was five degrees colder; New York City was under one kilometer of ice. If five degrees colder over thousands of years produces an ice age, what could five degrees warmer produce in a lifetime?

The 1990s are the decade of decision. Profound changes are required. We must create a new global compact for sustainable development — for example, trading debts for shared environmental stewardship. The agenda must include the following:

A worldwide ban in five years on chlorofluorocarbons, which destroy the ozone layer and cause up to 20 percent of global warming.

Rapid reductions in carbon dioxide emissions, through increased vehicle mileage standards, increased energy efficiency and development of alternative energy sources.

A global halt to destruction of forests, and prompt worldwide reforestation programs.

A ban within five years on packaging that is not recyclable or naturally degradable; a comprehensive waste minimization program; aggressive efforts to control emissions of methane from landfills and other sources.

A series of global summit meetings to seek the unprecedented international cooperation that the environmental crisis will demand.

In the 1940s, General Omar Bradley offered advice that is once again relevant to a challenge confronting humanity: "It is time we steered by the stars, not by the lights of each passing ship."

The New York Times

An Ambivalent Europe Is Reconsidering Its Map

By Dominique Moisi

PARIS — Caught between America's fear of a Fortress Europe and the Soviet Union's ambivalent sounding Common European House, Western Europe's only answer so far has been a resounding deadline: 1993. But behind the economic realities that concern the Americans and the Soviet Union is a club where democratic principles and respect for human rights are of central concern.

And what might Turkey become if it felt spurred in its attempt to become fully Western? Can Europe, a demographically stagnant continent, play a major international role without the large numbers that Turkey can furnish? If Europe is to be a world power again in the 21st century, it will need all its resources — west, south, east and center. And this brings us to the Austrian candidacy.

Is Austria, a neutral country since a 1955 treaty made it an independent

membership. It can be said that Turkey makes an essential contribution to West European security through its participation in NATO. The Turks have made a courageous, though still incomplete, attempt to restore democracy — an important qualification for membership in a club where democratic principles and respect for human rights are of central concern.

These questions indicate the new openness of West European debate at a time when the foundations of the postwar European security system may be shifting. If the Soviet Union were no longer a threat to be resisted, and America no longer a necessary ally, geography and culture could slowly re-emerge as prevailing factors.

In their minds, Europeans are playing with maps of Europe. One is the 19th century map, which depicts a glorious but divisive past. It evokes a

time when Europe was not only at the center of the world, but when European history was, in effect, world history.

This map, however, also evokes the flurry of nationalism, the European wars and Germany's increasing weight within Europe. If Europe were to recover part of its former strength, would the divisions come with it?

In dreaming of a reunified Europe, Europeans must look beyond the 19th century map. The creation of a diverse but coherent European unity under a common democratic banner should provide a powerful economic and cultural model, one that could face up to the United States as well as Japan. Values are at the heart of such a dream — of which 1993 constitutes but a small, if decisive, step.

The writer, associate director of the Institut Français des Relations Internationales, contributed this comment to the International Herald Tribune.

Turkey's Quiet Islamic Revival Raises a Question of Identity

By David S. Broder

IN the village of Beykoz, Turkey, which I recently visited, the men these days are doing something on Fridays that would have upset the founder of modern Turkey, Kemal Ataturk. They are listening to the mezzetin's call in Arabic and going to the local mosque to pray.

Beykoz is typical of the quiet Islamic revival taking place in this most secular of Moslem countries. The spread of worship in Turkey raises anew the question that vexed Ataturk 65 years ago and that now lies at the heart of the Salaman Rusdie affair: Can Islam coexist with the cultural and political values of the West? Can a Moslem nation, in short, be a truly modern nation?

Ataturk doubted that it was possible. He viewed Islam as a backward religion and an enemy of progress. When he took power in the 1920s, he embarked on a ruthless campaign to sever Turkey's Islamic roots. He closed religious schools and mini-

stries, replaced Islamic law with the Swiss civil code, imposed a Roman alphabet and required that Moslems dress in Western-style clothing. He even made it a crime to wear the traditional Islamic headgear, the fez.

But Ataturk's vision of a purely secular Turkey is losing ground.

"Turkey is rediscovering its Islamic inheritance," said Serif Mardin, a Turkish scholar spending the year in Washington. But he argues that an increasingly Islamic Turkey will not necessarily be any less modern or less oriented toward the West.

Americans hope he is right. U.S. strategic planning in the region is premised on Turkey, a NATO member, remaining a pro-Western bulwark.

There is no reason, for now, to doubt Turkey's commitment to NATO or the West. But there is a growing sense that the austere secular state Ataturk created is gradually giving way to something different.

The Islamic revival in Turkey is clear on various levels:

Education. Religious schools, banned by Ataturk, may now account for as much as 40 percent of total school enrollment. Attendance at such schools increased from zero in 1933 to 36,378 in 1973 — then jumped to 212,878 in 1983, one study shows.

Politics. Turgut Ozal is the most openly Islamic prime minister in modern Turkish history. His governing party has a strong religious faction that is well represented on its Central Committee.

The Military. The ultimate political force in Turkey remains the military, and it is generally thought to be the ultimate guardian of the Ataturk legacy of secularism and modernization. But it is said that mosque attendance is up at Turkish military bases. And two years ago, the authorities expelled several hundred students from military academies because of their links with Islamic fundamentalists.

Islam's growing visibility in Turkish life should not necessarily worry Westerners. Polls show that fewer than 10 percent of Turks support the imposition of Islamic law. And the largest vote ever won by a Moslem religious party was 11.8 percent, in 1973.

"When you look at the political climate of Islam in Turkey, you see a very limited beast," said George Hariri, a State Department official who has written about Turkey.

Still, there is a vague uneasiness among some Turkey-watchers, a sense that having come so close to being a fully modern nation, Turkey may not quite get there. There is no example in the world of a nation that is both fully Moslem and fully modern and democratic. It is an awkward gap.

— David Ignatius, editor of the Washington Post's Outlook section.

We Must Rescue the 'Lost Battalion'

By David S. Broder

WASHINGTON — Chief Justice William Rehnquist did not mention George Kazen by name, and may not even know about the plight of the federal district judge in Laredo. But Judge Kazen is proof of the point Justice Rehnquist made when he called an almost unprecedented news conference last week to plead for an immediate 30 percent pay raise for judges to avert "the most serious threat to the future of the judiciary... during my lifetime."

Last month, the House and Senate, battered by radio talk-show hosts and Ralph Nader, killed the proposed pay raise for federal judges, top executive branch officials and members of Congress. Critics rubbed their hands in glee, then forgot about the issue.

But the problem did not go away. As George Kazen knows so well,

When I called him last week at the suggestion of a friend, this is what I learned. Judge Kazen is 49. He was first in his class when he graduated, at age 21, from the University of Texas law school. Married and the father of four, he was making \$120,000 a year in private practice when President Carter appointed him to the bench 10 years ago. Today, he is making \$89,500 in inflation-shrunk dollars, the same as the American people pay those who represent them in Congress, the man who drafts the federal budget and the heads of the CIA, the FBI and the space program.

On behalf of the public, Judge Kazen administers justice in a vast expanse of southern Texas. By all reports, he does it very well. In the last two years, as efforts to halt the flow of narcotics have intensified, his felony calendar has increased 48

percent and may be the longest of any federal judge.

This is what Judge Kazen told me. "I was in pretty good financial shape when I started here. But I have put three children through college; my son is still in law school. Another son will graduate from high school this year and wants to go to Trinity in San Antonio, where tuition, room and board is \$13,000 a year, without a nickel for books or clothes or anything else."

"I have liquidated every bit of stock I owned and every investment except two pieces of real estate that are dead ducks and can't be sold. My debt has probably doubled. This year, I promised my wife, my family, my banker and myself that this would either be the year I finally got a handle on my finances, or I was going to get out. The pay raise was all going to go to reducing the debt. With it, I could see how I would be out of debt by the time I was 60. But without it, I just can't go on."

"I feel a tremendous amount of loyalty to my colleagues on the court, but there's only so much I can do for my country. I honestly feel that serving my country for 10 years has cost my family \$1 million. And what really hurts is when you're told: 'You're in a fat, cushy job.' ... If you leave, there's a dozen others [who] could fill your job."

"Well, I haven't looked on it as just a job. I work my butt off on this thing. It's important. But the minute I said to a reporter for a Texas legal magazine I might have to leave the bench, I started getting feelers for jobs starting around \$200,000

... so what the hell, I tell you, we're the lost battalion out here, and I'll admit it, I'm very frustrated, very bitter."

When Judge Kazen talked to members of Congress about the situation, he was told, in effect: We just don't want to pay you more. It was very unpleasant for us to take that abuse.

Indeed, neither President Bush nor Democratic leaders of Congress have stepped forward on the pay raise issue since last month's fiasco. But in a few days, the National Commission on the Public Service, headed by the former Federal Reserve chairman Paul Volcker, will highlight the crippling effect of the pay freeze on morale in the courts and the agencies, and on the ability of the government to attract top scientists, administrators and lawyers.

Many members of the commission favor "decoupling" congressional pay from that of judges and top executive-branch officials, taking immediate steps to deal with the crises in the judicial and executive branches. But most congressmen simply do not seem ready to take up the issue.

Congress deserved — and deserves — a pay increase. But the crisis is greater in the other two branches, where salaries cannot be supplemented by honoraria or other outside earnings.

The president owes it to the country to respond to the chief justice's warning. And Congress owes it to its own reputation to show that its concern for federal pay was not selfishly motivated.

It's time to rescue Judge George Kazen and the other members of "the lost battalion."

The Washington Post

Gorbachev Isn't Going To Vanish

By Dimitri K. Simes

WASHINGTON — George Bush does not have to worry too much about an ouster of Mikhail Gorbachev or even a failure of his reformist crusade. Despite the growing economic mess, Mr. Gorbachev is more firmly entrenched than some Western analysts tend to believe.

Unlike the capricious and reckless Nikita Khrushchev, Mr. Gorbachev has loyal allies in the Politburo, the military and the security services.

Not everything Mr. Gorbachev is trying to do is universally popular. Still, the people and the elite both credit him with bringing dignity and dynamism back to the Kremlin. Any attempt to remove him from the party leadership might trigger an explosive crisis bordering on civil war.

Even if Mr. Gorbachev were ousted or forced to restrain his reformist zeal, America's basic interest in a less aggressive, more inward-oriented Soviet Union would not be affected too severely. Such top Politburo conservatives as Yegor Ligachev and Viktor Chebrikov and their many supporters in the hierarchy are pragmatists, aware of the country's economic and political constraints.

Regardless of who is in power, global expansionist pursuits and large-scale military buildup are not going to reappear soon. Moscow's sense of overextension in the Third World goes beyond the defeat in Afghanistan: Its romance with Third World radicals is over.

Even if Kremlin conservatives have their way, there is no likelihood of increases in military spending. At about 100 billion rubles, the budget deficit is 11 to 12 percent of GNP.

Even the military brass is beginning to accept the idea that the armed forces cannot be effective without a balanced, technologically advanced economy. Not a single political or military leader is prepared to call for increased defense spending.

There is no threat of a renewed ideological offensive. Whatever ideological appeal the Soviet Union may enjoy internationally results from glasnost. Without it, especially without Mr. Gorbachev's charismatic personality, Moscow would have no cards to play in the struggle for world opinion.

A conservative victory would seriously retard economic and political reforms. For example, in recent speeches Mr. Ligachev, in contrast to Mr. Gorbachev, has emphasized the role of collective farms. Mr. Chebrikov suggested a curtailment of glasnost by charging that the new informal political associations encouraged by Mr. Gorbachev are "coming under the influence of extremist leaders."

Still, it is important to avoid "demonization" of Politburo conservatives. They disagree with Mr. Gorbachev about the scope and pace of perestroika, but not about the necessity of reform. They do not advocate a return to Stalinist methods.

Chauvinists of the Pamyat National Patriotic Front do not hesitate to praise Stalin. But Pamyat's significance should not be exaggerated. The organization lies on the periphery of politics. Many senior officials may share some of its views and consider it a useful counterweight to liberal forces, but there is no evidence that establishment conservatives are behind Pamyat's antics.

As for foreign policy, a conservative backlash would make it less imaginative and less flexible. The Soviet Union, for a while at least, would be a more difficult partner in addressing international issues. Yet even if it again became nasty and stubborn, Moscow would not act with considerable restraint and caution.

After four years of perestroika, the breakdown of old political and economic mechanisms, procedures and values has proceeded too far to allow a return to business as usual. The price of freezing the process of change might well be a cataclysm that would lead to the collapse of the Soviet system. Alternatively, the system may be destroyed less painfully, but also perhaps less conclusively, through the evolutionary revolution pushed by Mr. Gorbachev.

His success would offer the United States a smoother ride, particularly in promoting East European independence, at the expense of having to cope with a uniquely appealing Soviet diplomatic offensive. But a natural sympathy with Mr. Gorbachev should not obscure the fact that Moscow has no resources for costly global exploits. With or without him, America will get a breathing space in foreign affairs.

The writer is senior associate at the Carnegie Endowment for International Peace. He contributed this comment to The New York Times.

100, 75 AND 50 YEARS AGO

1889: Russia-Corea Pact

ST. PETERSBURG — A new Commercial Treaty between Russia and Corea, for the regulation of trade across their common frontier, was published yesterday [March 20].

MADRID — The Ministry was questioned in the Senate concerning the rumor that the American Government intended to propose to purchase the island of Cuba. The minister of the Interior, Mr. Capdepon, replied that there was no country in the world rich enough to purchase Cuba; that Spain would never consent to sell an inch of her territory, and that she would defend it against every attack.

1914: Gorki Flees Again

PARIS — Maxim Gorki, who had returned to Russia in the belief that the order of the Tsar no further action would be taken against him, has been obliged to leave the country. The authorities are continuing proceedings in connection with his novel, "Mother."

1939: Memel to Germany

KAUNAS — Lithuania has decided to relinquish its sovereignty over the town and port of Memel and the 930 square miles of adjacent territory, which it has held since Lithuanian troops occupied this former German area in 1923. By this decision, the whole of Memelland will be restored to the Reich. By the Treaty of Versailles, Memelland was handed over to the victorious Allies, and from 1919 to 1923 it was administered by the Council of Ambassadors of Great Britain, France, Italy and Japan as trustees of the treaty. In 1923 when the "Big Four" considered making Memel a Free City, the Lithuanians occupied it and drove out the Allied garrison. The League of Nations later ratified Lithuania's present decision to accept the status for Memel which it refused sixteen years ago was taken on pressure from the Reich, which threatened to seize the territory in case of non-acceptance.

Gorbachev
Isn't Going
To Vanish

الشرق الأوسط

Freeing business people
Panasonic
Office Automation
WEDNESDAY, MARCH 22, 1989

Herald Tribune
BUSINESS/FINANCE

for creative tasks.
Panasonic
Office Automation
Page 9

MEDIA MARKETS

'Hidden Persuader' Looks Into Soviet Motivations

By RANDALL ROTHENBERG
New York Times Service

NEW YORK — When Ernest Dichter said he was "going to the Soviet Union to look for hidden persuaders," he didn't mean he would search Moscow's dark corners for KGB agents. Mr. Dichter is the patron saint of motivational research, a school of consumer analysis that was once the rage in advertising and was made famous in Vance Packard's 1957 best seller, "The Hidden Persuaders."

The 82-year-old Austrian-born psychologist was just back from a week in Moscow, where he began what may be the first study of what motivates Soviet consumers. He is to return next month.

The opening of the Soviet Union to market researchers is only one of several recent examples of the impact on advertising of the new Soviet policy of perestroika, or restructuring. Ogilvy & Mather and Young & Rubicam have both opened offices in the Soviet Union, in conjunction with Soviet communications companies. And two weeks ago, Saatchi & Saatchi contracted with the Soviet state broadcasting authority to develop guidelines and rates for advertising on Soviet radio and television.

Mr. Dichter has been retained by MD Enterprises, an Austrian communications company that has entered into a venture with Vneshtorgzidat, a Soviet publishing organization, to provide psychological profiles of Soviet people to foreign companies hoping to do business in the Soviet Union. In a recent interview, Mr. Dichter said that his role was to "do a survey on the Russian soul."

Analyzing souls gained Mr. Dichter and his Institute for Motivational Research a following during the 1950s. His notion, shared by several other prominent psychologists, that Americans make purchasing decisions for nonrational reasons impelled dozens of the largest advertising agencies to attempt to fathom the depths of the human psyche.

In "The Hidden Persuaders," Mr. Packard wrote of Mr. Dichter's advice to General Foods Corp. that its ads showing sculptural Jell-O molds made housewives feel inferior. The company changed its ads to feature more pedestrian creations.

Market research is just one example of perestroika's impact on advertising.

MR. DICHTER TOLD American Airlines that ads aimed at men and touting safety stirred feelings of guilt over the potential of leaving their families bereft. Better, he reasoned, to direct the ads at women, to lend subconscious family approval to flying.

Thirty years later, Mr. Dichter, who now teaches marketing at the Westchester campus of Long Island University, says, "One of my hypotheses is that Russians like to suffer. So painting a luscious picture in an advertisement, you don't know how they might react."

Soviet reactions will be tested, he said, through standard market-research gambits like "projective tests" that ask people to describe their reactions to abstract pictures and even door-to-door interviews. "For 50 years," Mr. Dichter said, "Soviet citizens have been told, 'Don't buy from capitalist devils! They will tempt you with hidden persuaders!' I am the hidden persuader!"

Newspaper advertising spending rose 6.1 percent in 1988 over the previous year, according to the Newspaper Advertising Bureau, an industry group. The \$31.1 billion spent on newspaper ads last year reflected the smallest annual increase since 1975 and a stagnant advertising market, said James Dunaway, the bureau's vice president.

Taking into account a jump in newspaper ad rates, image remained flat or decreased somewhat last year, according to industry observers. "It's really an indication of caution on the part of advertisers and consumers," said John Morton, a media analyst with Lynch, Jones & Ryan.

EC Aid To MBB Assailed

U.S. Says Subsidies Break GATT Rules

GENEVA — The United States asserted Tuesday that a West German government aid package for Messerschmitt-Bölkow-Blohm GmbH violated rules of the General Agreement on Tariffs and Trade.

The European Community, which has approved the assistance package, said it broke GATT rules. The MBB aid is part of the aerospace company's participation in the Airbus Industrie consortium.

In a related development Tuesday, Airbus published a plan to restructure the unprofitable consortium to make it more cost-efficient and competitive.

The U.S. trade representative's office in Geneva, where GATT is headquartered, said it had asked for consultations with the EC on the rescue plan, worth 3.9 billion Deutsche marks (\$2.1 billion).

On March 8, the EC's executive Commission approved the plan, comprising a debt write-off and a limited exchange-rate guarantee to cover MBB's share of currency risks arising from its participation in Airbus. The Bonn government granted the exchange rate plan at the behest of Daimler-Benz AG, which is buying a controlling stake in MBB.

The U.S. statement said that exchange-rate protection such as that in the MBB deal, "would undercut the international adjustment process, be detrimental to U.S. export interests and is inconsistent with the EC's obligations under the subsidies code" of GATT.

But in Washington, Ella Krucikoff, a spokeswoman for the EC delegation, denied this. She said the "essential question" was injury to the industry. "At this time, we're surprised to get such a request for consultation because the U.S. industry appears to be flooded with orders and is prosperous," she said.

In Toulouse, France, Airbus announced Tuesday organizational changes that are to tighten management and financial control.

They include the creation of the post of finance director, a reduction in supervisory board members to five from 17 and creation of an executive board.

Airbus Industrie said the finance director would be responsible for ensuring full and open accounts throughout the group, forcing the Airbus partners for the first time to divulge their costs.

Robert Smith, finance director of British Aerospace PLC's Royal Ordnance subsidiary, has been appointed Airbus finance director. He will be on the new seven-member executive board.

Its other members will be Jean Pierson of France, who continues as Airbus Industrie managing director, Herbert Floedoff of West Germany, who becomes chief operating officer, and senior executives of the four partner companies. Spain is the other Airbus member country.



An SGS-Thomson microchip facility. Thomson is seeking 5 percent of the world chip market.

SGS-Thomson: Growing to Survive

Semiconductor Maker Goes on Prowl for Acquisitions

By Deborah Wise
New York Times Service

PARIS — In the worldwide semiconductor market, success comes in two sizes: large and small. But neither France's Thomson Semiconductors nor Italy's SGS Microelettronica was big enough to compete globally or small enough to succeed in niche markets. The result was a merger in 1987 that produced SGS-Thomson Microelectronics.

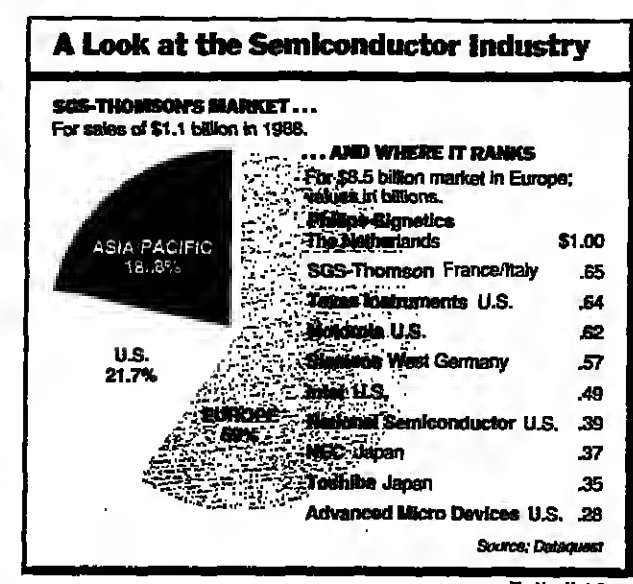
The company ranks 13th in the world semiconductor market, but even that, the company's president, Pasquale Pistorio, says, may not make it big enough for success.

"We are still in the area of instability by my definition," he said.

Mr. Pistorio predicts that eight to 10 companies will have about 5 percent of the market each in the next 10 years and about 100 will have 0.5 percent each. The ones in the middle will not survive, he said. SGS-Thomson currently has 2.5 percent of the \$50.17 billion world market.

"We are only halfway there," said Mr. Pistorio, a Sicilian who succeeded in his first challenge of making the merged company profitable.

In 1988, SGS-Thomson posted net income of \$2.2 million on



sales that soared 26 percent, to more than \$1 billion. In 1987, it had a loss of \$131 million.

As a semiconductor manufacturer, SGS-Thomson ranks second to Philips NV in the European market. But staying profitable and reaching critical mass will not be easy in a worldwide market that is expected to grow only 9 percent this year, compared

Britain Readies Major Overhaul In Beer Industry

Compiled by Our Staff From Dispatches

LONDON — The government moved Tuesday to change the shape of Britain's beer industry, blocking the takeover of a major brewer by an Australian company and ruling that a centuries-old system of marketing was anticompetitive and should be altered.

Having found that a "complex monopoly situation" exists in the supply of beer in Britain, the government laid out a series of measures that would, most significantly, limit to 2,000 the number of public houses any single brewer could own. That would mean that the biggest pub-owning brewers would have to sell off thousands of retail outlets.

In addition, the government said it planned to bar breweries from issuing new low-interest loans to independent public houses in exchange for exclusive contracts to supply them because such loans could undermine the pubs' independence. Tenants of tied pubs would be allowed to sell at least one brand of beer from a rival brewer, it said.

Also Tuesday, the Department of Trade and Industry blocked the £1.6 billion (\$2.74 billion) hostile bid by Elders Ltd. of Australia for the British brewer Scottish & Newcastle PLC, on grounds that the combination of the companies could be anticompetitive.

Elders, which was ordered to reduce its 23.6 percent stake in Scottish & Newcastle by more than half, said it was disappointed.

Scottish & Newcastle shares plummeted on the news. They were quoted at 331 pence, down 87 pence, after the announcement. Elders' bid was for 400 pence per share.

The industry department said it accepted the recommendations of the Monopolies and Mergers Commission that the proposed takeover "may be expected to operate against the public interest."

The panel said the takeover would restrict competition, particularly in Scotland, raising the possibility of a single brewer gaining a preponderant market share.

In its unanimous decision against Elders, the trade department ordered the Australian concern to reduce its stake in Scottish & Newcastle to a maximum of 9.9 percent within 12 months. In the meantime, the department limited Elders' voting rights to the 9.9 percent level.

The broader measures adopted concerning the British brewing industry were the result of a two-and-a-half-year investigation by the Monopolies and Mergers Commission. In particular, the commission considered whether Britain's 239-year-old "tied house" system was anti-competitive.

Tied pubs, representing about 55 percent of the total 82,000 public houses in Britain, may sell only those beers that are supplied by the breweries that own them.

Under the new measures, breweries also would not be allowed to restrict a tenant's right to purchase beverages other than beer from the

France Blocks 3M Purchase

PARIS — The French government said Tuesday that it blocked a 1.1 billion franc (\$173.3 million) purchase of Spontex, a cleaning materials maker, by Minnesota Mining & Manufacturing Co., clearing the way for a rival bid by a French consortium.

The Finance Ministry said the purchase from Chargeurs SA would have given 3M about 76 percent of the market in scouring goods and a dominant position in sponges.

A consortium led by Compagnie Financière de Suez, had said it would launch an offer for Spontex if the government blocked the U.S. bid, and Suez said Tuesday that it would now go ahead with a bid at the same price as 3M's. In Minneapolis, 3M said it was "very disappointed" with the French government decision.

Currency Rates

Cross Rates	March 21
Amsterdam	2.165
Brussels	37.275
Frankfurt	1.575
London (h)	1.721
Milan	1.274
New York (h)	1.274
Paris	6.201
Tokyo	151.25
Zurich	1.615
1 ECU	1.188
1 SDR	1.368

Chasmas in London, Tokyo and Zurich, fixings in other centers, New York closing rates.
a: Commercial franc; b: To buy one pound; c: To buy one dollar; *: Units of 100; N.A.: not quoted; N.A.: not available.

Other Dollar Values	March 21
Australia	1.555
Canada	1.214
Denmark	1.314
West. Ger.	2.36
Italy	2.36
Japan	151.25
Netherlands	2.36
Sweden	2.36
Switzerland	1.615
U.K.	1.721
U.S.	1.000

New York rates unless marked * (local rates).

Forward Rates	March 21
30-day	1.171
60-day	1.171
90-day	1.171
180-day	1.171
360-day	1.171

Sources: Reuters Bank (London); Bank of Commerce (Milan); Banque Paribas (Paris); Bank of Tokyo (Tokyo); IMF (SDR); BAI (other rates); Reuters Bank (other rates). Other data from Reuters and AP.

Interest Rates

Eurocurrency Deposits	March 21
1 month	10 1/4 - 10 3/4
3 months	10 1/4 - 10 3/4
6 months	10 1/4 - 10 3/4
1 year	10 1/4 - 10 3/4

Key Money Rates Mar. 21	March 21
United States	7.00
Discount rate	7.00
Prime rate	11 1/2
Federal funds	9 1/4
3-month Treasury bills	9 1/4
6-month Treasury bills	9 1/4
9-month Treasury bills	9 1/4
1-year Treasury bills	9 1/4

Asian Dollar Deposits	March 21
1 month	10 1/4 - 10 3/4
3 months	10 1/4 - 10 3/4
6 months	10 1/4 - 10 3/4
1 year	10 1/4 - 10 3/4

U.S. Money Market Funds	March 21
Merrill Lynch Ready Assets	1.947
30-day average yield	8.88
Tele. Interest Rate Index	1.947

Gold	March 21
1000 oz.	352.50
100 oz.	352.50
10 oz.	352.50
1 oz.	352.50

Sources: Reuters Bank of Tokyo, Commercial, Credit Lyonnais.

Time Soars On Rumors Of Bass Bid

NEW YORK — Time Inc. shares rose sharply Tuesday amid speculation that a group led by Robert M. Bass would make a bid for the company or try to derail Time's plan to merge with Warner Communications Inc., Wall Street traders and arbitrageurs said.

Wall Street sources said Mr. Bass has accumulated a stake in Time, but both the Texas billionaire and Time declined comment.

Rumors that Mr. Bass was buying Time shares had circulated for a week, but an unattributed report in Tuesday's Wall Street Journal gave speculators the confidence to buy stock, said Edward J. Atrio, a Salomon Brothers Inc. analyst. The Journal said the Bass Group was considering several options, including an offer for Time.

Time was up \$7.75 a share, to \$119 on the New York Stock Exchange on Tuesday, below its \$122.25 high of the session. Warner stock was up 62.5 cents, to \$48 a share.

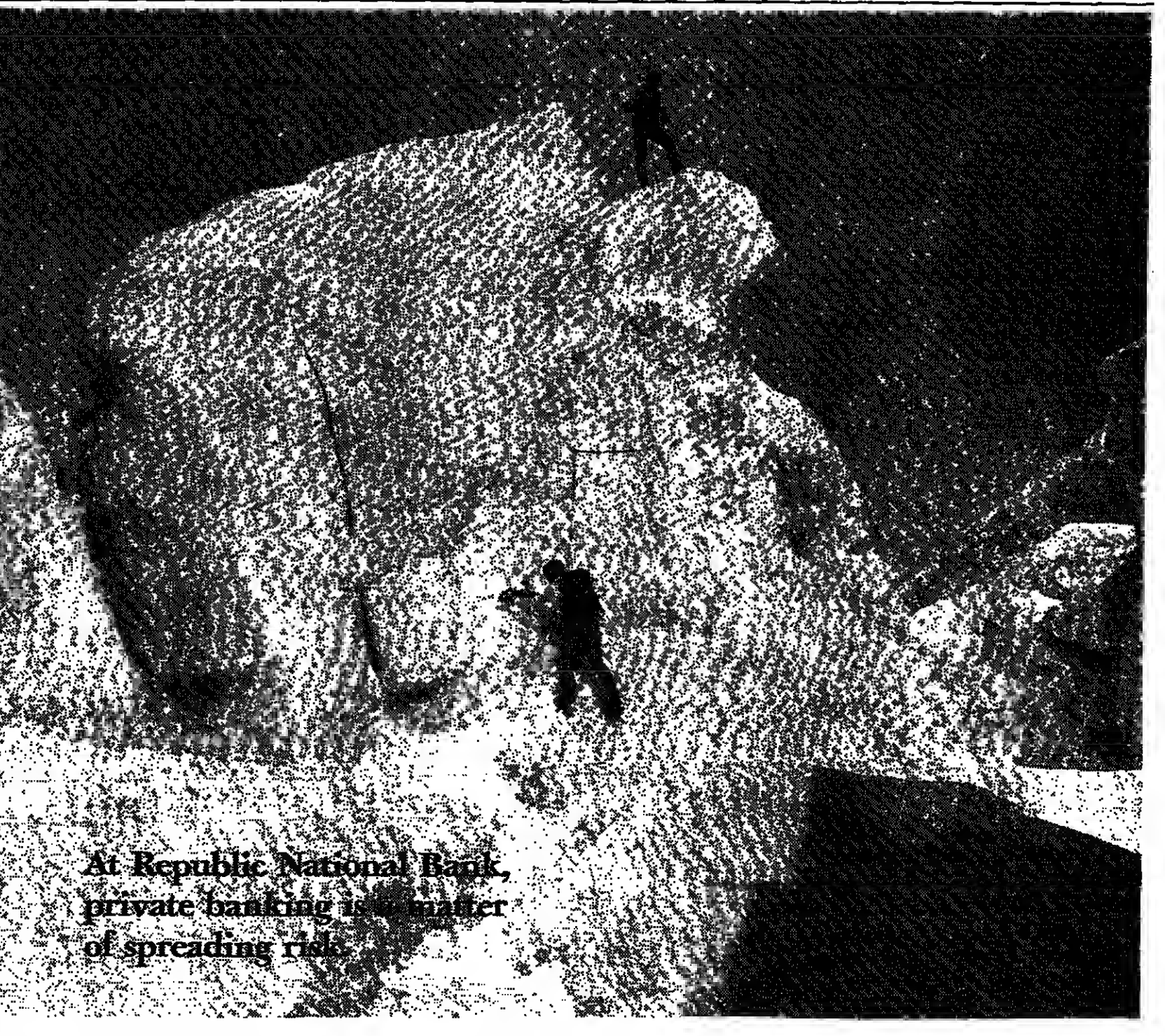
"This raises the possibility that Bass or a group involving Bass or some outside party may see Bass's action as an invitation to take some further action," Mr. Atrio said.

The Warner merger deal is at least slightly jeopardized by Time becoming a takeover target on its own.

Time and Warner Communications said on March 4 that they planned to merge to create the world's largest information and entertainment company. Sources said Mr. Bass believes the Time-Warner merger is not in the best interests of Time shareholders.

An arbitrator said alternative for Mr. Bass was to solicit shareholder votes to reject the merger. The deal requires approval by shareholders of both companies.

Wall Street analysts have estimated the value of Time's assets at \$205 to \$210 a share if the company were acquired and sold off in pieces. (Reuters, AP)



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	Vol.	High	Low	Last	Chg.
DWG	9715	13 1/2	12 1/4	12 1/2	+ 1/4
BSCS	8638	11 1/4	10 1/4	11 1/4	+ 1/4
WDRH	4999	13 1/4	12 1/4	13 1/4	+ 1/4
TaxAir	4144	14 1/4	13 1/4	13 1/2	+ 1/4
Saxon	3917	1 1/4	1 1/4	1 1/4	+ 1/4
IntCo	2743	2 1/2	2	2 1/2	+ 1/4
IntTch	2110	12 1/4	11 3/4	12	+ 1/4
FrutL	2081	15 1/4	14 1/4	15 1/4	+ 1/4
ComC	2071	15 1/4	15 1/4	15 1/4	+ 1/4
World	1539	8 3/4	8 1/4	8 1/2	+ 1/4
Cashlon	1625	18 1/4	18 1/4	18 1/4	+ 1/4
Echbev	1609	15 1/4	15 1/4	15 1/4	+ 1/4
ImpoTr	1474	4 1/4	4 1/4	4 1/4	+ 1/4
GovCn	1474	12 1/4	12 1/4	12 1/4	+ 1/4
PortSys	1472	15 1/4	12	12 1/4	+ 1/4

High	Low	Close	Change
326.64	325.49	326.49	+1.05

Tables include the ante-market prices up to the closing on Wall Street and do not reflect intra-trader executions.

Limited Power International

analyst at Josephthal & Co. the same as on Monday.

1960, to 528.47. The price of an average share added 4 cents. Advances edged declines by a 3-2 ratio. Volume totaled 10 million shares, about the same as on Monday.

1

مجلسه عبادت

1

(Continued on next page)

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U.S. Futures

Via The Associated Press

Month	Open	High	Low	Close	Chg.
March 21					

Grains

Month	Open	High	Low	Close	Chg.
March 21					

Food

Month	Open	High	Low	Close	Chg.
March 21					

Metals

Month	Open	High	Low	Close	Chg.
March 21					

Livestock

Month	Open	High	Low	Close	Chg.
March 21					

Currency Options

Month	Open	High	Low	Close	Chg.
March 21					

Financial

Month	Open	High	Low	Close	Chg.
March 21					

Commodity Indexes

Month	Open	High	Low	Close	Chg.
March 21					

Market Guide

Month	Open	High	Low	Close	Chg.
March 21					

Oil Prices Climb To Highest Levels Since Late 1987

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Prices have been boosted in March by strong demand for crude and a growing belief that the Organization of Petroleum Exporting Countries is serious in its determination to cut output.

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In New York, West Texas Intermediate, the most widely traded U.S. crude, closed 67 cents higher for the May contract, at \$20.01.

Brent cargoes for loading in May sold for up to \$18.20 per barrel in London, the highest trade since the most active forward month since early December 1987. At the close of European business, Brent cargoes for prompt loading were quoted 40 cents higher, at \$19.55 per barrel. Dubai, the key Middle East grade, jumped 45 cents, to \$16.15 per barrel.

The company said international business premiums grew by 42 percent, to \$1.8 billion, while domestic insurance swung to a \$23.5 million profit from a loss of \$600,000 in 1987 as an unusually mild winter reduced claims to well below the normal rate.

The company said increases in premiums and sales growth in its savings-related products would produce an equally strong performance in 1989.

Prudential Profit Climbs Sharply

LONDON — Prudential Corp. of Britain said Tuesday that its 1988 pretax profit climbed by 36 percent, to \$552.6 million (\$602.9 million).

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DM Futures Options

Month	Open	High	Low	Close	Chg.
March 21					

U.S. Treasuries

Month	Open	High	Low	Close	Chg.
March 21					

S&P 100 Index Options

Month	Open	High	Low	Close	Chg.
March 21					

London Commodities

Month	Open	High	Low	Close	Chg.
March 21					

Month	Open	High	Low	Close	Chg.
March 21					

Food

Month	Open	High	Low	Close	Chg.
March 21					

Metals

Month	Open	High	Low	Close	Chg.
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Livestock

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Prudential Profit Climbs Sharply

TV: Japan Pulls Out in Front of Other Nations in High-Definition Systems

(Continued from page 1)

sion, while complicated, has been well understood for years. But the building blocks of HDTV hardware are high-capacity memory chips, advanced video tubes, video cassette recorders and editing equipment, all manufacturing fields that the United States gradually abandoned in the 1970s and 1980s.

The magnitude of the difference between the two nations was underscored last weekend by an announcement from Matsushita Corp.

At a time when the United States is debating how to restart production of such basic components, the Japanese electronics giant said it had finished development of a second generation of video memory chips that should greatly cut the production cost of the sets.

"The problem is that the manufacturing technology for color television has already disappeared in the U.S., though it is better in Europe," said Yoshihide Kondo, a senior electronics analyst for the Daiwa Securities Co. "Obviously, the U.S. could bring that technology back, but the cost will be tremendous."

Already the prospect of Japan's dominance in high-definition television has touched off a struggle that spans Asia, the United States and Europe over who will control the destiny of the new technology. The Japanese themselves are still far from confident of success. Though Sony Corp., Hitachi Ltd. and Toshiba Corp. already have capstones brimming with HDTV equipment — for sale only to pro-

duction houses — there is still bickering in Japan over how fast HDTV technology should move and at what risk to the country's relations with its biggest trading partners.

Domestically, the dispute pits Japan's giant quasi-government television network, NHK, which

'It's natural that every country wants to promote its own technology.'

Midetaka Saeki, director of new visual industries at the Japanese Ministry of International Trade and Industry.

developed HDTV technology and has been its biggest promoter, against private Japanese networks that think they were largely excluded from the HDTV project.

These networks are planning to capitalize on HDTV's major disadvantage, its incompatibility with existing television sets.

Later this year they will begin broadcasting an "enhanced" signal that sends a clearer picture to existing sets fitted with relatively inexpensive equipment.

In time, the private networks admit, they will migrate to high definition. But this requires a huge investment in studio equipment that neither Japanese nor American networks are eager to make.

Internationally, Japan faces another hurdle. No matter how sophisticated Japan's hardware, the West still controls an essential ingredient: the movie-making and entertainment skills needed to produce shows that take advantage of high definition.

Even when the price of HDTV equipment drops, consumers will have to spend \$4,000 to \$7,000 for a system in the mid-1990s.

Japanese manufacturers think some customers will be drawn by the quality of the picture alone. But Japanese executives fear that without unique programming designed

national debate over high-definition television has so far centered on a seemingly narrow technical question: Will the world adopt a single standard for producing and transmitting HDTV broadcasts, or will Japan, the United States and Europe go separate ways?

"It's natural that every country wants to promote its own technology," said Midetaka Saeki, director of new visual industries at the Ministry of International Trade and Industry, which has stayed surprisingly remote from HDTV development.

Japan's strategy is to prevail by getting there first — with an HDTV system that NHK calls Hi-Vision.

Before other countries even turned their attention to HDTV, Japanese engineers were inundating the engineering community with Hi-Vision standards.

Some of them have already been adopted in the United States. There are really two standards: one for production equipment like cameras, and one for transmission.

So far, the United States has adopted the NHK production standards. "We didn't really have a choice," one network executive said.

The transmission standard is more problematic. NHK's system has television monitors with 1,125 video lines on a screen, compared with 525 lines on a current American set.

The screen image would be refreshed 60 times a second. Europe is proposing another standard, with 1,050 lines on a screen and 50 new "fields" a second.

While rife with politics, the inter-

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DIVIDEND NOTICE
At the Annual General Meeting held on March 16, 1989, it was decided to pay a dividend of U.S. \$0.05 (five cents) per share on or after April 21, 1989 to shareholders of record on March 17, 1989 and to holders of bearer shares upon presentation of coupon N° 3.

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LUXLANE S.A.

Notice is hereby given that the Annual General Meeting of the company will be held at the offices of Hoogewerf and Co. S.A. (HOCULUX), 25, Boulevard Royal, Luxembourg, on Friday, April 14th, 1989, at 2:00 p.m. to conduct the ordinary business of the company.

The official agenda of the meeting and copies of the latest annual report and audited accounts will be available as from March 22nd, 1989, for collection from the offices of HOCULUX and the specified paying agent.

Shareholders may vote at the meeting either by attending in person with their share certificates or by depositing their certificates with a bank. In the latter case special bank depositary receipts to the order of a specified paying agent, voting certificates and certificates of block voting instructions must be filed with a specified agent by 2:00 p.m. on Wednesday, April 12th, 1989. The certificate of block voting instruction, voting certificates and special bank depositary receipts may be obtained from the specified paying agent.

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By order of the Board
F.N. Hoogewerf
Secretary

Paying agents: Rea Brothers PLC
King's House,
36-37 King Street,
London EC2,
England.

EUROPE: Nations Disagree on the 'Social Dimension' of a Single Market

(Continued from page 1)

matter of national independence. "We have not successfully rolled back the frontiers of the state in Britain," Mrs. Thatcher declared in a speech in Bruges, Belgium, last autumn, "only to see them reimposed at a European level with a European superstate exercising a new dominance from Brussels."

The community is thus heading into another political dispute between Britain, which wants largely to limit the unified market's social dimension to harmless platitudes, and the Continental countries, which want to spell out a new European social order in greater detail.

"The Continentals, with their greater tradition of seeking social solidarity against Britain's history of labor conflict, want a more caring system," said a senior European official.

At a meeting of EC labor ministers earlier this month, the lineup was 11 to 1 in favor of a new European charter of fundamental social rights, with Britain as the lone voice of opposition. The British, however, "did not totally close the door," said a Brussels official.

With the initial burst of public enthusiasm for 1992 waning in many countries, governments such as that of Mr. Mitterrand believe that the commitment to a "social Europe" is necessary to convince average citizens that the single market will benefit them: that their jobs and living standards will, as far as possible, be protected.

"Europe," said Finance Minister Pierre Bérégovoy of France this month, "is the only continent in the world that has succeeded in reconciling economic development, political democracy and strong social solidarity. It is the latter that distinguishes us from the United States."

Nevertheless, as recent public opinion polls in France and elsewhere have shown, the move toward a single market is in danger of acquiring the image of a distinctly capitalist process, from which only big business will benefit.

Franz Andriessen, the EC commissioner for external relations, noting that the single market would bring both losses and gains in employment, said, "when people begin to look at their own particular situation, sometimes they might feel the negative effects."

In an opinion poll published in the French newspaper *Le Monde* earlier this month, 55 percent of respondents said they thought the single market would benefit corporate chief executives, while only 36 percent said it would help workers.

Other Socialist governments in the community, such as that of

European Workers: Big Gaps in Pay and Benefits

Figures are for 1987.

Hourly labor costs, in U.S. dollars.

WAGES	WORK TIME	VACATION TIME
in hours		in days
Spain 8.26	West Germany 1,716	Portugal 22
Denmark 15.43	The Netherlands 1,740	Spain 25
The Netherlands	Denmark 1,740	Denmark 26
West Germany 18.17	Spain 1,734	Greece 27
	Greece 1,656	West Germany 30
	Portugal 2,025	The Netherlands 36

* Converted at average 1987 exchange rates.

Source: West German Federal Statistics Office.

Greece, which is facing difficult elections, and that of Spain, accused by the country's trade unions of drifting to the right, have powerful domestic reasons for demonstrating that they have the workers' interests at heart.

"In each country," said a senior European official, "the European social dimension has entered into the internal political game."

In West Germany, where Chancellor Helmut Kohl, a Christian Democrat, also faces difficult elections next year, the problems are both political and economic.

There is a widespread fear that unless European social practices are brought into line, the single market will drain industry and investment away from countries with advanced social and welfare systems, like West Germany and Denmark, to countries like Spain and Portugal, where labor laws are less constraining — and less expensive.

The phenomenon, known as "social dumping," is attracting vociferous attention from West German trade unions and the opposition Social Democrats.

For West Germany, according to analysts and officials in Bonn, the aims must be both to safeguard existing, highly developed labor and social practices and to ensure that other less advanced countries adopt, or at least move toward, West German standards.

Spokenmen for the Social Democrats argue, for instance, that EC regulations must specify that no job be done without a contract and that every job must carry social insurance, maximum working hours must be laid down, including nights and weekends, and workers must be given rights to education, training, union representation, participation in management decisions and maternity leave.

Other European analysts, however, said that the less advanced EC countries simply cannot afford to adopt West German practices and would be unable to compete economically if they tried to do so.

Several economists stressed that labor costs are only one of many factors in investment decisions. Labor-intensive industries could go to Portugal and high-technology investment to West Germany without too much fear of "social dumping" or serious damage to the northern countries' economies, they said.

In any case, said a European official in Brussels, countries like Italy, Spain, Portugal and Greece simply do not have the administrative capacity to enforce detailed new social provisions of the type many West Germaners are demanding, particularly in the large "black" sectors of their economies.

The community's intention, however, is not to force a whole new mass of social legislation upon the member states "just for the sake of it," according to officials of the Executive Commission. "We will only do what can be done better at community level than at national level," one said.

It is out of the question, they said, that there will be commonly agreed upon European salaries, social security provisions or European-wide collective bargaining agreements any time soon.

Mr. Delors, in fact, is trying to play down the radical nature of what is being proposed. The single market's "social dimension," in his view, will not go beyond commitments already accepted by the 12 EC heads of government or those contained in other international agreements.

For the time being, Mr. Delors has chosen what he describes as

five "limited priorities": redistribution of resources to the poorer countries through the EC's structural aid funds, minimum standards for health and safety, the social charter, a European company statute, providing for worker consultation on management decisions and a wide-ranging "social dialogue" between EC employers and union representatives.

Not all of these points are controversial. A doubling of the community's structural funds, to 52 billion European currency units (\$46.8 billion), over the five years to 1992 has already been agreed upon.

There is also little disagreement, even from Britain, that health and safety rules should be agreed upon at the EC level.

The "social dialogue" among EC nations, which ran into difficulties last year, is back on track, officials said, although it is not yet clear where it will lead.

Of Mr. Delors' priorities, the company statute and the social charter have aroused violent British opposition.

"If there is one idea that is anathema to Mrs. Thatcher," said a British official, "it is workers on the boards of companies."

Earlier fears in Britain that EC rules might require some form of the West German *mitbestimmung*, or worker participation in management, have somewhat abated. The commission now stresses that the company statute will be voluntary.

But although the reassurances are meant to meet British concerns, they have not alleviated deep British suspicions of the entire concept. The suspicions are only heightened by the plan for a social charter, denounced by British officials as "social engineering" that is not only unnecessary but damaging to the single market.

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(Continued from Back Page)

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BUSINESS ROUNDUP

Jardine Strategic Profit Soared 67% Gains in 1988 Attributed to Earnings of Its Subsidiaries

By Coleen Geraghty

Special to the Herald Tribune

HONG KONG — Jardine Strategic Holdings Ltd., the investment arm of the Jardine Matheson group, said Tuesday that net profit in 1988 soared 67 percent, to \$75 million Hong Kong dollars (\$112.3 million), based on the strong results of its major subsidiaries.

The announcement came one day after Jardine Matheson Holdings Ltd., the group's flagship, said it had record earnings of 1.11 billion dollars in 1988, slightly exceeding analysts' expectations and apparently presaging another strong performance this year. Jardine Matheson owns 55 percent of Jardine Strategic, which in turn has a 32 percent interest in the holding company.

Jardine Strategic's net profit figure came before an extraordinary loss of 43 million Hong Kong dollars, which was linked to the concern's proposed partial settlement of a suit with Bear Stearns Cos. of

the United States, according to a Jardine statement. The court case resulted from Jardine's decision in October 1987 — to terminate its offer to buy 20 percent of Bear Stearns, the Wall Street brokerage concern.

"The settlement, if approved by the court, could require payment by Jardine Strategic of approximately \$6.4 million and would potentially resolve approximately 47 percent of the total claims pending against the company," said Simon Keswick, the group chairman.

Jardine Strategic's net asset value per share rose to 16.11 dollars from 13.80 dollars at the end of 1987. The company's board proposed a final dividend of 11 Hong Kong cents per share, bringing total dividends for last year to 18 cents.

Mr. Keswick said Jardine Strategic "took advantage of the uncertainty following the stock market collapse in October 1987 to in-

crease its shareholding in all its main listed investments," which enabled it to obtain a higher share of their profits.

Jardine Strategic holds 33 percent of Hongkong Land Co., 45 percent of the Mandarin Oriental International hotel group, and a 41 percent stake in Dairy Farm International Holdings. All three subsidiaries reported better-than-expected results in the past week.

The parent company, Jardine Matheson, said net profit before extraordinary items was up 42 percent from 1987, also due to the record profits announced last week by its affiliates. Analysts' forecasts had called for a maximum 40 percent profit increase.

Net asset value per share rose 58 percent, to 15.83 dollars, the highest level since 1981, due primarily to a revaluation of Hongkong Land's property portfolio last year, Jardine Matheson said.

Announcing a 10 percent increase in profit last week, Hongkong Land said it was planning to follow the parent to a Bermuda headquarters.

One of Hong Kong's oldest and best-known hotels, or trading houses, Jardine Matheson has recently expanded its overseas business, both through acquisition and internal generation.

But earnings from Hong Kong and China dominate the balance sheet. They rose to 77 percent of the total last year, up from 74 percent in 1987. The percentage of shareholders' funds attributable to Hong Kong and China climbed even more dramatically, to 81 percent from 64 percent, while those attributable to Europe fell to 12 percent in 1988 from 21 percent.

"Despite all the forecasts, Hong Kong continues to grow faster than anywhere else," said Jardine's managing director, Nigel Rich.

Jardine and its affiliates went on an expansion spree under the aggressive leadership of Brian Powers, an American who was named managing director in May 1987. Mr. Rich, who succeeded Mr. Powers last November, does not seem to share his predecessor's acquisitive nature.

"We are in no hurry," he said when asked about additional overseas investments. "In 1989, we will be looking to expand our business financially and to some extent geographically."

The shift in emphasis was noted by Mr. Keswick. "During the last 12 months," he said, "the group further strengthened its shareholding in its major affiliates, through open-market purchases, by taking up new shares and, in the case of Hongkong Land, by direct purchase from a consortium of other shareholders."

(AP, AFP, Reuters)

Old Profession, New Trick: AmEx Holder Won't Pay

The Associated Press

BALTIMORE — A man being sued by American Express Co. for not paying a \$6,700 bill contends he does not owe the money because he used his charge card to pay for illegal acts: the hiring of prostitutes.

"It is axiomatic that a contract which has as its purpose an underlying illegality cannot be enforced by either of the parties," Thomas Waxter Jr., attorney for Michael Gianakos, who was named in the American Express suit, said in his response to the suit.

In an affidavit filed in Baltimore Circuit Court, Mr. Gianakos said he used his American Express card in July and August 1987 to buy the services of prostitutes at the Club Pussyat and the Jewel Box in downtown Baltimore. The two bars are located on The Block, a street lined with peep shows, X-rated video and book stores.

American Express said Mr. Gianakos ran up charges of \$6,716.92 at the clubs. The bills showed charges for champagne. Bartenders at the two establishments denied the claims. "He wasn't in here because we don't have prostitution," a bartender at the Club Pussyat said.

In his statement, Mr. Gianakos said, "The use of my American Express card was for the purchase of the services of prostitutes, which is illegal in the state of Maryland."

Mr. Waxter said he did not think Mr. Gianakos could get in trouble for making such an admission. He added that American Express was responsible for deciding which businesses could accept its credit card. "The place is called the Pussyat Club — they had to know what kind of business it was."

"I was very surprised they would put that under oath," said Sidney Friedman, a lawyer who is representing American Express, which filed the lawsuit on Feb. 6. "If he's right, everyone is going to be lined up on The Block with their charge cards in their hands."

Saatchi's Stock Plummets On Grim Earnings Outlook

Compiled by Our Staff From Dispatches

LONDON — The stock of Saatchi & Saatchi Co., the world's biggest advertising agency, tumbled on Tuesday after the company forecast that its pretax profit would decline in its current financial year.

Saatchi's pretax profit was \$138 million (\$236.0 million) last year. One analyst predicted that the company's profit could decline to \$100 million this year, although Saatchi did not give a precise figure.

The company, which has a financial year that ends Sept. 30, said its main business divisions, communications and consulting, began the year at a slower pace than expected.

This state of affairs was mainly due to the uncertain outlook for the U.S. economy, which caused a number of clients to delay spending plans, Maurice Saatchi, the chairman, said at the annual stockholders' meeting.

The announcement pushed Saatchi & Saatchi shares, which are trading ex-dividend, down 60 pence, to 818 pence, on the London Stock Exchange. At that level,

Saatchi lost about \$29.1 million in market capitalization.

In the first half of the 1988-89 year, which ends March 31, operating profit figured before interest and tax would be much lower than in the year-earlier period.

The second half should see gains, he said, bringing operating profit for all of the financial year about level with last year's \$127.2 million.

But pretax profit will fall, Mr. Saatchi said. He blamed higher finance costs and interest rates, and a lack of exchange-rate gains to match last year's \$11 million boost.

David Grimbley, an analyst at the UBS/Phillips & Drew Ltd. brokerage, said he lowered his prediction for this year's pretax profit to about \$100 million from \$150 million previously forecast.

Still, the company said it intended to maintain the annual dividend at the same level as last year, when Saatchi's pretax profit rose 11 percent from the previous year.

Saatchi emphasized the company's strong market position and said it expected to return to profit growth in the 1989-90 year.

(AP, Reuters)

De Beers Plans Hefty Rises in Diamond Costs

Reuters

LONDON — De Beers Consolidated Mines Ltd. said Tuesday its Central Selling Organization would raise rough gem diamond prices by an average of 15.5 percent at its next sale, scheduled for March 28.

The latest price rise is the fifth in the last three years. Before that, through much of the early 1980s, the diamond market was in a recession.

"The trade has been anticipating this price rise which reflects buoyant market conditions," said Andy Lamont, a De Beers spokesman.

Mining analysts said the magnitude of the 15.5 percent diamond price increase is impressive.

"De Beers must feel the market is resilient. It's confirmation things are going very well," said Michael Oliver, an analyst at James Capel & Co.

BEER: Britain Readies Changes

(Continued from first finance page)

most competitive suppliers. These include nonalcohol and low-alcohol beers, wines, spirits, and soft drinks.

There are two kinds of tied pubs. Tenanted houses, which are owned by breweries, are rented by tenants who must buy beer from the brewery but otherwise operate the pubs as their own businesses. Managed houses are owned by breweries and run by salaried employees.

The remaining 45 percent of pubs are so-called free houses, which may buy beer wholesale from any suppliers. But about half of the free houses in Britain are linked to breweries through the system of low-interest "incentivized" loans, according to the trade secretary, Lord Young.

The current system of supplying beer to retailers "restricts competition at all levels, against the public interest," the commission concluded.

It added that "structural changes are needed to secure a more competitive regime."

Lord Young, who has studied the report since the commission concluded its investigation last month, said he was inclined to implement all of the commission's recommendations.

He said he first would discuss the measures with the European Commission, which announced last week that it planned to investigate Britain's tied-house system.

"We are hoping to implement them in what is being described as the very near future," said a

spokesman for the trade department.

It is up to the Office of Fair Trading to discuss with the brewers how the measures would be implemented and under what timetable, the spokesman said.

The measures would have a significant impact on Britain's biggest brewer, Bass PLC, which owns more than 7,000 pubs, and on Allied-Lyons PLC and Whitbread PLC, both large national distributors that own well over 6,000 pubs each. Together, the country's six largest brewers own about 32,000 public houses, or about 70 percent of the total number of brewery-owned pubs.

On the London stock market, many brewery shares rallied Tuesday on the belief that the large concerns could sell some of their brewing interests. The idea was that selling beer would be more profitable than brewing it.

The department's ruling against Elders, which already owns Britain's sixth-largest brewer, Courage Holdings Ltd., prevented the combined Elders-Scottish & Newcastle group from becoming the second-largest brewer in Britain after Bass by controlling about a 21 percent share of the market. Bass has about a 25 percent market share.

Elders, best known for its Foster's lager brand, had hoped to use the acquisition to increase its brewing capacity and as a first step toward building a Europe-wide brewing empire.

The advances of Elders raised fierce opposition in Scotland.

(AP, AFP, Reuters)

THOMSON: Chip Maker Has Expansion Strategy

(Continued from first finance page)

for SGS-Thomson is dynamic random access memories, or DRAMs — silicon storage devices used in computers.

"If their goal is to be in the top 10, they have no choice but to be in that area," said Bipin Parmar, a senior analyst at Dataquest.

DRAMs became a money-making market segment for the Japanese after they drove out U.S. suppliers by using tactics that Washington denounced as "dumping."

In its acquisition strategy, SGS-Thomson is not alone. Medium-sized semiconductor manufacturers are already teaming up on both sides of the Atlantic.

In Europe, for example, Plessey Co. joined forces with Ferranti PLC. In the United States, Fairchild Semiconductor Corp. merged with National Semiconductor Corp., and Monolithic Memories Inc. threw in its lot with Advanced Micro Devices Inc.

SGS-Thomson has agreed to acquire Immos International PLC, a \$137 million British semiconductor manufacturer from Thorn-EMI PLC, in a stock transfer.

The deal will fill a gap in SGS-Thomson's product line by adding Immos's praised transporter, a 32-bit microprocessor that does calculations in computers. The transporter's advantage over other microprocessors is that several of

them can be linked to build a system as powerful as today's supercomputers at a fraction of the cost.

Entering new markets and acquisitions cost money. With 4 percent of its sales servicing its debts, while the industry average is less than 1 percent, SGS-Thomson is at a capital disadvantage.

While the company hopes to generate some of the funds internally, it will be able to count on its parent companies, the state-owned Istituto Ricostituzione Industriale in Italy and Thomson SA in France, for continued capital infusions for at least five years.

SGS-Thomson is also a major participant, along with Philips and Siemens AG of West Germany, in the European Community's proposed \$4 billion eight-year Joint European Semiconductor Silicon research program, or JESS, which is expected to begin this year.

The program's goal is to keep Europe competitive with and independent of Japan and the United States in both the development and manufacture of all kinds of semiconductors.

One factor in SGS-Thomson's favor as it embarks on acquisitions and joint ventures is that it is itself the result of a successful cross-border merger.

In 1986, Mr. Pistorio, president of SGS, and Jacques Noels, president of Thomson Semiconductor, started talking about an alliance.

Both men shared an American semiconductor past. Mr. Pistorio spent 17 years at Motorola Inc. before accepting a pay cut and the challenge of turning around ailing SGS in 1980. Mr. Noels, after 17 years with Texas Instruments, Inc., was lured to Thomson in 1982.

When both executives took their new assignments they found technological jewels but business disasters.

"Losses didn't matter. These were universities rather than industries," said Jean-Philippe Dauvin, corporate economic and market research manager at SGS-Thomson.

After several years of restructuring, the two persuaded their companies that a marriage was an economic necessity. Mr. Noels left soon after the merger.

"Looking at Thomson Semiconductors in the early 80s, nobody would have believed the probability that it would become a worldwide competitor," said Mr. Noels, who saw his company lose as much as \$100 million in 1985, when the semiconductor industry collapsed.

Mr. Pistorio started to put his strategic plan into action within six months. He shut five factories, laid off 1,900 people in Europe and 700 in the Far East and cut top management by a third.

The company is now putting its growth strategy to work primarily in the United States and Japan.

Renault Income Doubles, Confirming Turnaround

Compiled by Our Staff From Dispatches

PARIS — In a dramatic improvement, the French government-owned carmaker Renault on Tuesday announced record net profit of 8.81 billion francs (\$1.4 billion) in 1988, more than double its profit the year before.

The result was 50 percent more than Renault had forecast last year. Last week, a source at the automaker said the profit would be slightly more than 8 billion francs.

Renault's consolidated sales totaled 161.4 billion francs last year, up 9.4 percent from 147.5 billion in 1987, when the automaker posted net consolidated profit of 3.69 billion francs after six consecutive years of losses.

The carmaker touched bottom in 1984, when it had a loss of 12.5 billion francs. But Renault slashed costs, cutting its work force by 30,000 over the five years to 1988, when the company was left with 72,000 employees. It also reduced its debt by 49 percent last year, to 23 billion francs, helped by a 12 billion franc cash injection from the state.

Renault said the turnaround since 1984 was caused by higher productivity, jetsetting assets not essential to the car business and the recovery of the market in the past two years.

Spokesmen said they were sur-

prised by the strength of the French car market last year. Production bottlenecks and delays in a new line for the Renault 19 model caused the concern's share of the French market to slip to 29 percent last year from 30.5 percent in 1987.

Renault's European market share fell to 10.2 percent from 10.6 percent. But executives said it was encouraging that car sales rose by 12 percent in the European Community countries excluding France.

All of the company's subsidiaries were profitable last year. Car production accounted for 67.9 percent, or 6.05 billion francs, of overall profit, while financial subsidiaries accounted for 21.4 percent.

Renault's truck unit, Renault Vehicules Industriels SA, near bankruptcy a few years ago, previously posted a profit of \$74 million, francs, 9.8 percent of the total.

A Renault source said the company would show 1989 profit close to the 8.9 billion francs of last year, despite facing higher taxes.

(AFP, AP, Reuters, UPI)

Citroën Luxury Model

Pengot SA's Citroën unit launched a luxury car called the XM on Tuesday and plans to sell 150,000 of them annually, Reuters reported. A front-wheel-drive five-door car, the XM is to be sold in eight models.

7 ACADEMY AWARD NOMINATIONS BEST PICTURE

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BEST SUPPORTING ACTRESS
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BEST ORIGINAL SCORE

GEORGE FANTON

"A glittering duel. The production design and costuming are ravishing. Michelle Pfeiffer's scenes with John Malkovich have genuine trembling eroticism."

- Sheila Benson, LOS ANGELES TIMES.

"A spellbinding masterpiece — played with a fatal attraction. Decadence has never been more bewitching. This is the movie of the year."

- Guy Flatley, COSMOPOLITAN



"Intelligent, witty, entertaining decadence. Malkovich's intelligence and strength shape the audience's response. Nothing Miss Close has done before approaches the richness and comic delicacy of her elegant performance."

- Vincent Canby, THE NEW YORK TIMES

"Deliciously dishy. Close is, again, superb as a fatally attractive villainess. Very lusty. I really enjoyed it."

- Steve Kmetko, KCBS-TV

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CURRENCY MARKETS

Consumer Price Report Fails to Deflate Dollar

Compiled by Our Staff From Dispatches
NEW YORK — The dollar ended higher against most major currencies on Tuesday despite the U.S. government report that consumer price inflation was lower than expected during February.

The government's report that its consumer price index rose 0.4 percent in February initially sent the dollar lower. The rise was smaller than expected and dampened speculation that the Federal Reserve Board might raise interest rates further.

But the U.S. currency rebounded later in the day on what traders said were expectations that higher U.S. inflation — and high interest rates — would persist.

"This isn't necessarily the end of the inflation spiral," said David Sawyer, vice president for foreign exchange marketing at First Chicago Corp. "All it does is perhaps to relieve a bit of the immediate pressure," he said.

The dollar closed at 1.8738 Deutsche marks DM, up from 1.8688 DM at Monday's close, and at 131.350 yen, up from 131.275 yen a day earlier.

London Dollar Rates

Currency	Unit	Rate
Deutsche mark	100	1.8738
Swiss franc	100	1.4825
French franc	100	6.5280

The British pound was firmer against the dollar, however, rising to \$1.7245 from \$1.7190 on Monday.

The U.S. unit also closed at 1.6235 Swiss francs, up from 1.6105 francs on Monday and at 6.3440 French francs, up from 6.3280 a day earlier.

Dealers said the CPI report prompted an immediate bout of dollar selling but that the currency recovered on the view that interest rate differentials will remain favorable.

"The market initially saw the CPI figure as a signal the Fed would not have to tighten right now and, as people were buying dollars on an interest-rate play, they sold on the number," said Chuck

Spence, a dealer at First Interstate Bank.

He said the dollar found strong support around 1.8660 DM.

Dealers said the CPI number did not necessarily negate the significance of the sharp 1-point rise in February producer prices reported last week, since some of the elements in the PPI would take time to feed through into the consumer price data.

"The effects will eventually be felt in the CPI, but there is a slight lag in the process," said Mr. Sawyer of First Chicago.

Earlier in London, the dollar closed lower following the U.S. consumer prices report.

The dollar closed at 1.8720 DM, down from 1.8755 DM a day earlier, and at 131.20 yen, down from 131.95 yen on Monday.

The British pound rose to \$1.7210 from \$1.7100 a day earlier.

"With sterling, the attractiveness is the continuing fight against U.K. inflation with higher interest rates," said Françoise Soares-Kemp, an analyst at Credit Suisse.

Against the mark, the pound

strengthened to 3.221 DM from 3.212 on expectations that West German rates would remain steady.

The Bundesbank on Tuesday injected reserves into the money markets at a 5.50 percent rate — the same fixed rate it has set for lenders since March 8.

The central bank's move signaled it was intent on keeping West German rates steady.

The yen continued to trade quietly on Tuesday with few Tokyo dealers wanting to make major moves before the end of Japanese fiscal year on March 31.

Dealers said that the yen's recent weakness against the dollar had tended to support the dollar against other currencies. They also warned, however, that a recovery in the yen could put pressure on the dollar.

As long as the yen stays weak against the dollar, the dollar will not decline much against other currencies, said Ms. Soares-Kemp of Credit Suisse. But she warned that "the yen's recovery should lead the way on the dollar's decline against other currencies."

(Reuters, AP)

U.S. Seeks Comment on Debt Plan

Mulford Says New Strategy is Not Complete 'By Design'

By Carl Gewirtz

International Herald Tribune

AMSTERDAM — If the vagueness of U.S. proposals on debt relief for the Third World have produced confusion among creditors and debtors, it was by design, David C. Mulford, U.S. Treasury undersecretary-designate, said Tuesday.

Mr. Mulford told a press conference at the annual meeting of the Inter-American Development Bank here that the proposals for Third World debt reduction put forward earlier this month by Treasury Secretary Nicholas F. Brady were not "a fully complete program by design."

"We want discussions to take place," Mr. Mulford said. He added that it was "a world problem" requiring a broad cooperative effort.

"We need to hear other views so that the concepts can be defined," Mr. Mulford said.

Mr. Mulford has been hearing other views, particularly from creditor nations that reject suggestions that multilateral financial institutions such as the International Monetary Fund and World Bank extend guarantees to facilitate reductions in debt and service payments.

Ian Buis, the alternate British governor of the IADB, told Tuesday's meeting that "debt-reduction schemes should not transfer risk from the private to the public sector."

He said, "The way that commercial banks treat their past lending

must remain a matter for their commercial judgment."

Earlier, both Michel Camdessus, managing director of the IMF, and H. Onno Ruding, the Dutch finance minister who is the head of the IMF's policy-making Interim Committee, opposed the idea of the IMF providing guarantees.

The word "guarantee" was never used by Mr. Brady. In his speech 10 days ago, he said that a portion of IMF and World Bank policy-based loans could be used "to support collateralized debt for bond exchanges involving a significant discount on outstanding debt." They could also "be used to replenish reserves following a cash buy-back."

Moreover, Mr. Brady said in his speech, both institutions could offer "new, additional financial support to collateralize a portion of interest payments for debt or debt-service reduction transactions."

That additional collateralization has been taken to mean guarantees. But Mr. Mulford told the press conference that "the IMF is not really able to enter guarantees for the purposes we have in mind."

"We remain opposed to the use of guarantees to enhance bank lending," Mr. Mulford said. But, he added, "there may be times in a new-money package when guarantees may be appropriate."

He said "a portion of regular IMF-World Bank disbursements

should be set aside for debt reduction, to finance cash buy-backs" of bank debt trading at a discount from its face value or to finance collateral for new debt issued in exchange for discounted old debt.

Mr. Camdessus on Monday indicated a willingness to have IMF credits used by debtor countries in this fashion.

The confusion and controversy over guarantees are only part of the disparity now surrounding the strategy to deal with the nearly 7-year-old debt crisis.

Mr. Brady also proposed that to facilitate debt reductions banks waive sharing and negative-pledge clauses in existing loan agreements for three years. The sharing clauses require all lenders to share equally in debt-service payments.

But most of the commercial bankers at the IADB meeting expressed strong opposition to any general waiver without knowing what, if anything, they would get in return. In addition, they fear that waivers would set off a free-for-all among banks trying to get the best possible deals for themselves.

Separately, Pedro Aspe, the Mexican finance minister, on Tuesday rejected calls that debtor nations allow greater use of debt-for-equity swaps, Reuters reported.

In a strongly-worded speech to the IADB, Mr. Aspe said debt-equity swaps had had monetary and budgetary effects.

The stock market in Tokyo was closed Tuesday for a holiday.

Deutsche Bank Sets Price for Spanish Deal

Reuters

FRANKFURT — Deutsche Bank AG said Tuesday it was proceeding with a full bid for Banco Comercial Transatlantica and that it would offer 16,000 pesetas a share (\$137) for the stock of the Spanish bank that it does not already own.

A Deutsche Bank spokesman said the acquisition was worth up to 250 million Deutsche marks (\$135 million). The bank said the Spanish stock exchange authorities had agreed to the offer. The Spanish bank said it viewed the bid favorably.

Deutsche Bank already has a 39 percent stake in the Spanish bank, known as Bancotrans, and is seeking full control as part of its strategy of broadening its European network in advance of the 1992 single European market.

Deutsche Bank said on March 8 that it was planning a full bid for Bancotrans. The Spanish bank's stock was suspended on the Madrid and Barcelona stock exchanges.

Bancotrans' stock is currently held by around 3,000 shareholders, among them a Spanish family with a block of between 10 percent and 16 percent, Deutsche Bank said.

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AMEX
Closing
Totals include the netted wide prices
and do not reflect late trades elsewhere.
Via The Associated Press

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SPORTS

The Carnival Ended, NCAA's Sweet 16 Get Serious

By William C. Rhoden

NEW YORK — Ever since it expanded to a 64-team format, the National Collegiate Athletic Association's basketball tournament has taken on a carnival atmosphere in the first two rounds.

Much of the excitement is generated by the enthusiastic fans from smaller schools who travel great distances with the hope of seeing their team pull off an upset, maybe two, and perhaps reach the Sweet 16.

But with each successive season, the economics of big-time basketball, with its high-priced recruiting demands, has made the tournament's out-of-control process more of an exercise in predictability.

Thus, after four days of near-misses and a few intermittent upsets, the college basketball season has reached the point where fun and games end and serious business begins.

Sixteen teams remain, and while three of the survivors — Seton Hall, Missouri and Minnesota — are new to this plateau, this year's group is essentially another meeting of the NCAA's board of directors.

Consider: Arizona, Indiana and Nevada-Las Vegas are in the West Region; Duke and Georgetown in the East; Louisville and Syracuse in the Midwest; North Carolina and Oklahoma in the Southeast. Arizona, Duke and Oklahoma reached the semifinals, the Final Four, last year, with Oklahoma finishing as the runner-up to Kansas.

Indiana, Syracuse and UNLV reached the Final Four in 1987, and Indiana defeated Syracuse for the national championship. Louisville won the national championship in 1986 and reached the Final Four in 1982 and 1983. Georgetown won the championship in 1984 and was the runner-up in 1985 and 1982. North Carolina won in 1982 and was the runner-up in 1981 to Indiana.

North Carolina State won in 1983 and Virginia has made the Final Four twice in this decade. Despite the domination of these teams, for many fans the spirit of the tournament is captured in the first round when unknown, undermanned teams go toe-to-toe with the giants.

Last week, Siena defeated Stanford, Ball State upset Pittsburgh, and tiny Evansville toppled Oregon State. And fans are still buzzing over Princeton's amazing performance against Georgetown in a losing cause.

Princeton's one-point loss speaks to a time when a band of

players with grit and cohesion could finesse their way to the Sweet 16 and perhaps stall it a round further.

Rick Majerus, the coach of Ball State, may have summed up the situation after his team's 12-point loss to Illinois last Saturday in a second-round game.

"I suppose I could have played one guy a little more, maybe one guy a little less," he said. "But the truth is that they have too many athletes for us to handle. They're a great team with great athletes. We just lost to a better team."

Which is not to say that there are no Cinderellas left in this year's tournament. It's just that every Cinderella at this year's ball can dunk.

Virginia, Minnesota and Seton Hall could be the tournament's Cinderella teams.

The Cavaliers, who last reached

the Final Four in 1981, play Oklahoma on Thursday in Lexington, Kentucky. Virginia finished weakly in the Atlantic Coast Conference and did not figure to advance beyond its first-round matchup with Providence. But the Cavaliers survived, shedding their conservative image, and turned into a prolific scoring team.

The Cavaliers scored 100 points against Providence and 104 against Middle Tennessee State. The sudden about-face may be an indication that their coach, Terry Holland, senses that the watchword of this year's tournament is scoring.

Minnesota, like Virginia, has been on an unexpected roll, but Clem Haskins, in his third year as coach, does not think of his team as a tournament Cinderella.

"I don't believe in fairy tales," Haskins said.

The Gophers finished fifth in the Big Ten, and Haskins admits that reaching the Sweet 16 did not seem like a realistic preseason goal. "We're going into the next round with a lot of confidence," he said, "but to say back in October we thought we'd be here, I'd be lying to you."

The only thing that makes Seton Hall a potential rag-to-riches team is its next two opponents. The Pirates play Indiana on Thursday and if they get past the Hoosiers, they will have to face Arizona or Nevada-Las Vegas.

Missouri, Michigan and Illinois fall into the category of teams on a mission. Missouri and Michigan are out to prove that they can win without their head coaches, while the Illini are out to prove they can win despite the head coach.

Missouri, a tough physical team

with outstanding speed and balance, is guided by Rich Daly, who took over after Norm Stewart was diagnosed as having cancer. Michigan is being coached by Steve Fisher, who took over for Bill Frieder just before the tournament opened. Frieder was relieved of his coaching duties after accepting the job as Arizona State's coach.

Michigan plays North Carolina on Thursday in a repeat of last year's West Regional final, which North Carolina won. The Wolverines have been knocking on the door for the last three seasons. They just might break it in this season.

Missouri, which lost to Syracuse in overtime earlier this season, will play the Orangemen again on Friday in Minneapolis and Illinois plays Louisville in the second game. This could be the best pair of games of the Sweet 16.

Michigan St. Tops Wichita

The Associated Press
Battle-scared Michigan State continued to prosper outside the Big Ten Conference on Monday night by beating Wichita State, 79-67, in East Lansing, Michigan, in the second round of the National Invitation Tournament.

"After getting beaten on in the Big Ten, it's easy to get down and

NTI BASKETBALL

lose your confidence," said Jud Heathcutt, coach of the Spartans, who were 6-12 in the conference, 9-1 outside it. "But the clubs were playing right now maybe aren't as tough as the Big Ten, and they don't know us as well, so we can surprise them with some of the things we're able to do."

The biggest surprise to the Shockers (19-11) was Todd Wolfe, who led Michigan State with 18 points. He has endured two ankle injuries and a separated shoulder this season and has averaged only 5.5 points a game since he was hurt Feb. 2.

Villanova 76, Penn State 57: In Villanova, Pennsylvania, Tom Greis led the winners with 24 points and Gary Massey had 21. Villanova (18-15) took an early lead and stayed in front, though Penn State (20-12) outscored Villanova, 20-13, to open the second half and got within two points.



Gary Massey maneuvered around C.J. Johnson of Penn State for a shot in Villanova's second-round victory Monday in the National Invitation Tournament. Massey finished the game with 21 points.

VANTAGE POINT/Thomas Boswell

Let the Mad, Mad Bombing Begin

WASHINGTON — As the NCAA basketball tournament hits high gear, many fans want to know one thing: When is a team going to be brave enough, or smart enough, to shoot nothing but three-point shots?

The percentages say they might beat everybody. Maybe easily. What did the Ball States and Sicans have to lose, compared to what might be gained? Some say teams such as Providence and Nevada-Las Vegas have, in recent years, already tried the strategy first theory. No way. Nobody's made a serious attempt yet at an offense designed to attempt a decent three-point shot on every possession.

By now, every fan who's taken fifth-grade arithmetic knows the simple theory no coach has yet had the audacity to put into practice: You only have to

shoot 33.3 percent from the floor to score as many points as a team shooting 50 percent on two-point attempts. If you can shoot 40 percent from beyond the 19-foot, 9-inch line (6 meters) — and some teams can — that's as good as 60 percent on twos. And nobody has ever come within a light year of shooting 60 percent from the floor on twos for a season.

Coaches maintain that if you shoot only threes, you could not make as high a percentage. That might be true, but wouldn't it be worth finding out? Also, our mad bombers would not be dummies; they would not refuse lay-ups and dunks.

With the 45-second clock, teams could work for at least 25 seconds looking for unmolested bombs. In the final 20 seconds, still a basketball eternity, a squad might switch to a more conventional secondary offense with more shot options.

How many outside shooters would a team need for such a scheme? Probably two on the floor at once, plus a third adequate bomber. Dozens of schools already have such personnel. College ball is full of forwards who can shoot the three nicely.

Think of the possibilities open to these Bombers: Balanced scoring would be a dead issue. The age of specialists would arrive. (Nobody said this would be aesthetically pleasing basketball, just new, wild and unbeatable.) If your team scoring by position is 30-30-30-5-5, so what? That's 90 points.

Who would our specialists be? A giant defensive center such as Manute Bol comes to mind. His bad hands and lack of offense would become academic. You would still have to cover him in the low post and keep him off the boards.

A great passer would still have a place. He would penetrate, then decide: go for the lay-up or pass for a three. A superb offensive rebounder would be more valuable than ever. The Bombers would miss more shots than other teams, so they would have more chances for offensive rebounds. Also, long shots often take longer, more erratic bounces, which create more rebounding opportunities.

Our Bombers would make fewer turnovers because they would be forcing fewer passes into the congested lane. Big guys have the bad hands. Minimize them. Our team also would be less fascinated with fast breaks, unless they had a clear edge. Even then, we might find that pulling up on the break for an open three, while sending other breakers to the boards, would be the best offense.

Our mad, mad Bombers would be excellent on defense and at defensive rebounding because, with two positions devoted to role players, they would have no excuse not to be strong in both areas.

Could anybody stop our strategy? Who has the best defense in the NCAA field? No question: the Hoyas block three? Stats say they can't. Their defense against threes is weak: 36 percent.

As an extra added attraction, the Bombers will be almost impossible to fast break against, because they'll always have two men back, probably three.

Would the existence of our radical team be good for basketball? Short-term, maybe not. Unless you would have enjoyed seeing Ball State against Siena in the NCAA final. The three team would have so many theoretical advantages that, in this age of NCAA parity, when Oklahoma can beat East Tennessee State by only one point, the traditional powers would be almost helpless.

Long term, our crazy new team would be a blessing. Within a short time, the three-point line would be moved back where it belongs — to 21 feet, at the least, and to National Basketball Association distance of 23-9 if the Bombers kept winning.

To anyone who believes that the NBA is, at present, in its glorious prime, remember Dolph Schayes, Carl Braun and Richie Guerin? They stood nearly 30 feet from the basket in the 1950s and took shots that, for them, were sensible percentage attempts although worth only two points. To them, the NCAA line would have been two or three steps too close and the NBA line still nearer than they needed.

They had mastered the step-back, quick-release, two-handed set shot. For good or ill, it will return.

BOOKS

DAUGHTER OF DESTINY

By Benazir Bhutto. Illustrated. 411 pages. \$21.95. Simon & Schuster, 1230 Avenue of the Americas, New York, N. Y. 10020.

Reviewed by Caryn James

JUST a few years before becoming prime minister of Pakistan last December, Benazir Bhutto was living in London, heading the Pakistan People's Party in exile. General Mohammed Zia ul-Haq seemed firmly in power at home. In 1977 he had overthrown Bhutto's father, Prime Minister Zulfikar Ali Bhutto, and two years later had him executed. Benazir Bhutto had been kept under house arrest almost constantly for seven years. Finally allowed to travel to London for medical treatment in 1984, she decided to fight her political battles from the West.

Her shrewd political autobiography is full of attempts to balance her roles as a high-profile, modern world leader and a deeply traditional follower of Islam. But the tension between the two is constantly surfacing in "Daughter of Destiny," which is titled "Daughter of the East" in its British and Pakistani editions.

It is a polemic justifying her father's life and her own career, as well as a fierce, firsthand indictment of human rights abuses under Zia's martial law. And it offers a fascinating look at a Western-educated politician promoting

democracy in an Islamic country with a history of military rule.

At 35, just seven years younger than Pakistan itself, Bhutto has had a life of high drama and deep paradoxes. Her story, written with an uncredited ghost writer, ends abruptly in November 1988, just before the elections that made her prime minister. Stopping there, she avoids discussing the urgent issues she now faces, including a collapsing economy strained even more by the thousands of Afghan refugees in her country.

Even when describing her carefree childhood, Bhutto never lets us forget martial law. She looks back at her youth in chapters that situate her under house arrest in her family's country home.

The oldest of four children in the wealthy Bhutto family, she was given the delicate nickname of Pinkie. While she was still at Radcliffe and Oxford, her father was offering political pointers.

In 1971, when the United Nations tried to settle Pakistan's war with India, Bhutto recalls her father asking, "Do you think Pakistan will get a fair hearing at the United Nations?" Her instant reply was, "Of course, Papa." "You may be a good student of international law, Pinkie," he said, "but you don't know anything about power politics."

Though Bhutto's father was the only

freely elected prime minister to precede her, choosing Zia as his army chief of staff was not his only mistake. Bhutto ignores press censorship under her father, and charges of corruption and torture. She cannot ignore the violent demonstrations that followed the 1977 election, which many claimed Bhutto rigged. But she blames his political opponents and the Central Intelligence Agency for instigating the chaos that allowed Zia to assume power.

If Bhutto had been as selfless as his daughter claims, she could hardly have learned so many worldly political lessons. But the charges of ruthlessness against Bhutto don't begin to match the

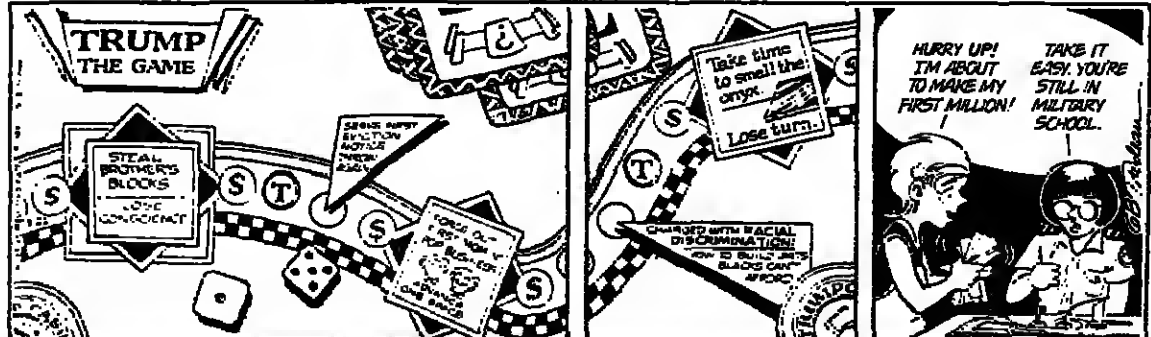
accusations of torture and oppression, documented by groups such as Amnesty International, against Zia. "Daughter of Destiny" is especially compelling when Bhutto recalls the years she spent in detention, including nine months of solitary confinement in two squalid prisons.

Caryn James is on the staff of The New York Times.

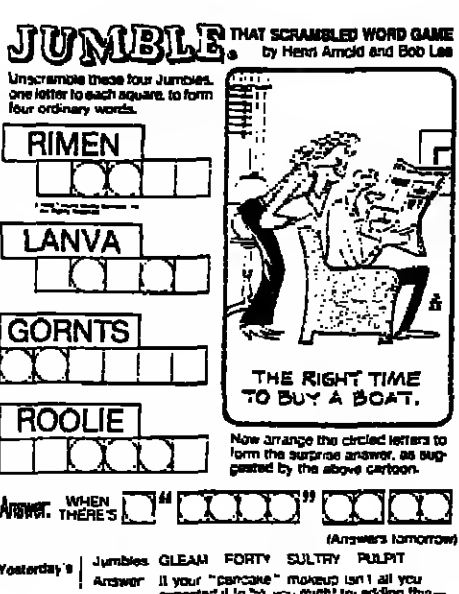
BEST SELLERS

The New York Times			
This list is based on reports from more than 2,000 bookstores throughout the United States. Works on list are not necessarily consecutive.			
Week	FICTION	Last Week	On List
1	STAR, by Danielle Steel	1	4
2	THE SATANIC VERSES, by Salman Rushdie	2	3
3	THE EDGE, by Dick Francis	3	4
4	BILLY BATHGATE, by E.L. Doctorow	4	5
5	THE CAROOL OF THE KREMLIN, by Tom Clancy	5	33
6	CAT'S EYE, by Margaret Atwood	6	5
7	THE LONG DARK, by Michael Korda	7	4
8	THE LONG DARK, by Michael Korda	8	5
9	THE LONG DARK, by Michael Korda	9	5
10	THE LONG DARK, by Michael Korda	10	5
11	THE LONG DARK, by Michael Korda	11	5
12	THE LONG DARK, by Michael Korda	12	5
13	THE LONG DARK, by Michael Korda	13	5
14	THE LONG DARK, by Michael Korda	14	5
15	THE LONG DARK, by Michael Korda	15	5

DOONESBURY



DENNIS THE MENACE



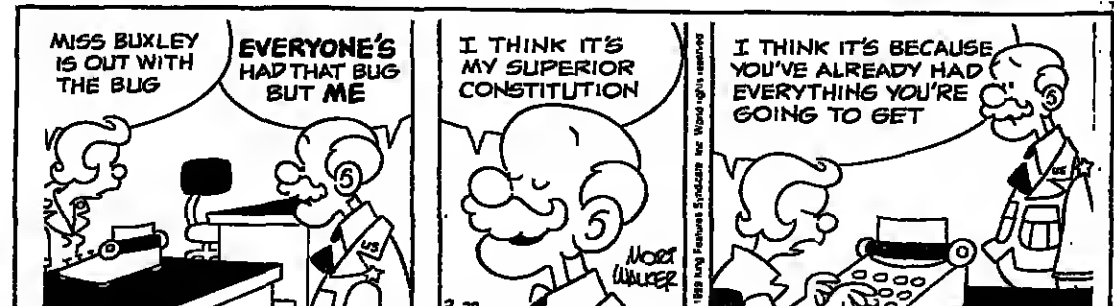
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PEANUTS



BEETLE BAILEY



ANDY CAPP



WIZARD OF ID



REX MORGAN



GARFIELD



SPORTS

Rozelle Sees NFL League in Europe in '90

By Michael Wilbon

Washington Post Service

PALM DESERT, California — The National Football League may be preparing to go worldwide in the spring of 1990, its commissioner, Pete Rozelle, said Monday, and the fact that the new league likely will be the NFL is a foregone conclusion. Rozelle and the 28 NFL team owners and executives are gathered for the league's winter meetings, and though everything from steroid testing to instant replay was discussed, the hottest topic of conversation — at least outside the board rooms — was a new league that figures to have 10 to 12 franchises, half in the United States and half overseas.

Rozelle, emphasizing several times that discussions of this international league are very general at present, said the new league would have "old world" and "new world"

teams and mentioned London, Milan, Frankfurt and some city in Ireland as probable European sites. He said the discussions were "not far enough down the road" to be more specific, and that the league hadn't figured out the financing on such a venture despite the fact that he gave the spring of 1990 as a possible starting date. Of Rozelle being commissioner of the new league, Rozelle said, "There's been talk of that, of Tex as the commissioner of the new league. He's a very knowledgeable football man... I think he'd do an excellent job."

Schramm at first tried to make light of the matter, saying, "I want my office in Miami [Miami]. No team there, just the new headquarters."

But when pressed, he said, "If you know me, you know that would be the type of thing that interests me."

What sparked this latest interest

is the fact that NFL games in the fall of 1989 will be broadcast live in Great Britain for the first time. Games which begin at 1 P.M. EDT time will be televised in Great Britain in early evening prime time. The NFL is about to stage its fourth exhibition game in the American Bowl series in Wembley Stadium, plus its first in Tokyo, between the Super Bowl champion San Francisco 49ers and the Los Angeles Rams. Last year, the Chicago Bears and the Minnesota Vikings played in Sweden.

Asked whether negotiations have begun with the major networks, Rozelle said, "They've indicated interest. We have reason to believe both NBC and ABC would be interested."

Schramm, in fact, was behind such a move 15 years ago. He recalled a meeting in a New York hotel in approximately 1974 when

several league executives agreed informally to attempt such a league. But Schramm didn't have enough support. Apparently, there are few owners who oppose it now. The New York Giants' general manager, George Young, said the level of play would be somewhere between that of major college football and the Canadian Football League. "You'd have running backs who run 4.8 [seconds in the 40-yard dash] and 6-foot [1.8-meter] guards," he added. "But just because you don't have a lot of NFL prospects doesn't mean you can't have great games. Of course you can."

Rozelle said there is "a growing presence in Europe," and cited the delayed broadcast now being switched to live, prime time.

Schramm, asked whether this is just a way of warding off another rival like the late U.S. Football League,

said, "The thing that's gotten our attention is the interest in the delayed broadcast and the fact that leagues [in Europe] are springing up now. They're playing the game. There's an evolution of the game going on." One indication that the project has not yet been discussed in detail was the difference between the way Rozelle and Schramm saw the international league operating. Rozelle said it will be "another step in our international program," that some potential expansion cities could be involved, that it would be a good training ground for black assistant coaches and coordinators, and that the lower-round draft choices, injured players from previous seasons and fringe veterans could stock the league.

Schramm said he didn't see the international league as being "developmental," and wouldn't favor using potential U.S. expansion cities.



Tex Schramm: Commissioner?

"I'd think we'd be talking about the biggest and the best U.S. markets," he said. "This new league would have to stand on its own. It wouldn't be a trial horse for players, cities or anything else."

French Fume as Glory Fades on Playing Field

International Herald Tribune

LONDON — It looks as if French soccer has nothing to bring to the ball; nothing except shame to contribute to the bicentenary of la Révolution.

Last weekend, France won the Five Nations rugby championship. And in the winning, Serge Blanco proved again what Frenchmen desire in a sportsman: style, bravura, presence.

In soccer there is no Blanco, only blankness. The national team, once such a cavalier force, is on the brink of failing to qualify for a second consecutive major tournament. France's leading clubs have capitulated (the word is appropriate) in all 1989 European tournaments. And now players and spectators are responding like hoodlums on the home front.

U.S. Monaco's Jean-Marc Ferrate has just begun a six-month suspension for assaulting a referee who gave him a penalty he didn't like. And, incensed by a loss preventing Marseille from becoming the leader of the French league, that team's fans rampaged through Cannes, putting four people in the hospital.

Perhaps this collapse of sporting deportment should trouble the French most. It is ironic that the Marseille brutes started their mischief in a Cannes stadium bearing the name of Baron Pierre de Courberin, father of the modern Olympics. Stadium seats were yanked out like teeth to be thrown at the Cannes goalkeeper. And speaking of teeth, where does this leave Jacques Georges, president of the European Union of Football Federations? Georges rightly insists that English clubs must not re-enter Europe until their followers prove themselves cured of hoodlums.

Cured like the French, *Monsieur le président*?

Sorry, but this column adored France when her soccer left such an exquisite taste in the mouth earlier this decade. Winning, the French were incomparable. Losing, they appear to misbehave as badly as the rest of us.

Apart from the Marseille fans, aroused by the sending off of Eric di Neco, a quiet Sunday earlier this month betrayed the inner disharmony at Monaco. The Monte Carlo team, having lost a European Cup home tie to Galatasaray of Turkey, conceded a penalty against Nice and reacted disgracefully.

Ferrate was sent off for "manhandling the referee and verbal abuse." In the same instant, the Monaco captain, Mamel Amoros, was ordered off and referee Antoine de Pandis said he could justifiably have shown the red card to goalkeeper Jean-Luc Ettori and defender Luc Sonor as well.

Amoros and Sonor accused the referee of provoking them by calling them "buffoons who made French football look ridiculous in Glasgow." France had been beaten there, 2-0, by Scotland on March 8 — a result that impeded French hopes of qualifying for the 1990 World Cup.

Referee de Pandis insists that the players invented the phrase about buffoons, but how strange of professionals to invent their own ridicule. Either way, the argument reveals the state of French minds. And, as failure mounts on failure, Amoros especially must rue the jibe.

Five years ago he was a young left back riding along on the team of Michel Platini, Alain Giresse, Jean Tigana & Co. that conquered Europe. He since has amassed 58 caps and assumed the mantle of French national team captain, but Amoros was given to undisciplined lapses from the first.

He callously head-butted Jesper Olsen of Denmark at the start of the 1984 European Championship. But Michel Hidalgo, the coach whose romanticism allowed great players to express themselves, refused to take action. Hidalgo shrugged, he shuffled, he stared at the floor. He muttered something about Amoros being young and having a rush of blood to the head. They understood one another, Hidalgo and Amoros. Both are of Spanish extraction and if the violence came from anywhere, maybe it was not French.

A ludicrous justification for a crime against sport. But, seeing Amoros again in trouble, I wonder if leniency in his youth has rebounded? I also wonder if the French, deep down, are blessed with a burning passion for soccer?

Even Platini's boyhood obsession came from his Italian father. And now Platini attempts, incredulously, to manage a French national team he quit through disillusionment while still near his peak.

There is no reason for Platini to be manager except that the French have no idea who else to turn to. The national youth system, a signet for European coaches just five years ago, cannot summon another Platini, another Giresse.

Such talents are born, not made. They can be improved by education or dulled by boring overcoaching, but they cannot be fashioned out of nothing.

Just as suddenly as the great team arriving, there seems next to nothing in France's locker. Her under-21 team, and the 1984 Olympic team, promised much, but few players made the transformation to senior status.

When a gifted son did show up, Eric Cantona, he became overindulged. Cantona, a wayward youngster, is currently suspended for pushing the national manager and on loan to Bordeaux after pleading himself on whether to train at Marseille.

Nor is there solace at club level. A few rich French teams, trying to get parity with the other top European teams, have spent fortunes abroad. Yet still the chemistry backfires.

Monaco, the reigning French champion, looked in brilliant shape a few weeks ago. But, with its prince in the stadium looking for the anticipated dismissal of Galatasaray, Monaco choked last Wednesday.

Amoros, again, appeared to be in the wrong mood. He and others seemed intimidated by the task, and Monaco's main hope came from George Weah, a 22-year-old Liberian who is raw and eager but not yet accustomed to European ways.

Weah scored against the Turks, but Galatasaray, aware of its prime minister sitting close to Prince Rainier, dug in for victory.

Possibly France is merely experiencing the natural cycle of defeat following success. Or perhaps what is happening is a long-lasting consequence of the French sportsman's preference for rugby over soccer.

In any case, Charles de Gaulle said the country was "created either for complete success or temporary uniforms." As he also said, and soccer has displayed: "France cannot be France without grandeur."

ROB HUGHES



SPRING FROLIC — Dave Parker, the slugger of the Oakland Athletics, could hardly hide his smile, or was it a grimace, as he completed his sit-ups at the team's training complex in Phoenix, Arizona.

'Serious' Charges About Rose Being Probed by Ueberroth

The Associated Press

PLANT CITY, Florida — Pete Rose is being investigated by major league baseball over "serious allegations" that, according to a source, could result in a suspension for the manager of the Cincinnati Reds.

"If something happens, when it happens, I'll talk about it," Rose said Tuesday. "I have no comment right now."

Rose's gambling reportedly is the subject of the investigation, revealed Monday in a statement by Peter Ueberroth, the commissioner of major league baseball, and the commissioner-elect, A. Bartlett Giamatti.

"The office of the commissioner, which was founded to preserve the integrity of the game, has for several months been conducting a full inquiry into serious allegations involving Mr. Pete Rose," the statement said.

It made no mention of any action that might be taken against Rose, noting that the investigation isn't complete. But a baseball source, who asked not to be identified, said a suspension is possible.

John M. Dowd, a trial lawyer with the Washington firm of Heron, Boncheste, Rockert & Rodwell, is leading the investigation as special counsel to the commissioner. Dowd, 47, headed a Justice Department organized crime task force from 1972 to 1978 and led investigations of the FBI and of a former member of the House of Representatives from Pennsylvania, Dan Flood.

Dowd said Monday he had been investigating Rose for about a month. He said he didn't know how much longer the inquiry will last.

"It's dictated by the facts and circumstances. I have no idea," Dowd said. He would not discuss the nature of the investigation.

"The statement from the commissioner's office said that when the investigation is finished, 'the commissioner will consider the information presented and take whatever action is warranted by the facts.' Meanwhile, Rose said, he intends to continue his regular spring training routine.

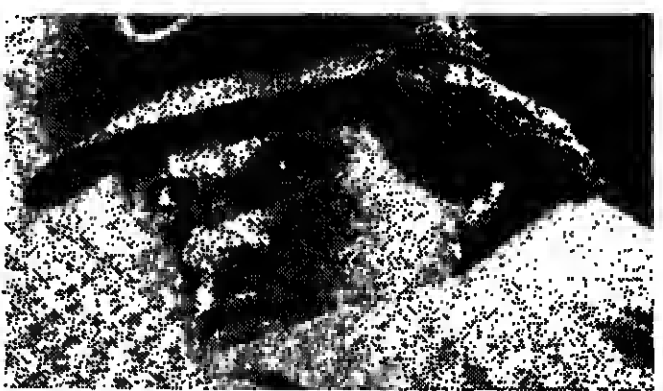
"I've got the greatest job in the world," he said.

The normally outspoken manager answered all questions about the investigation Monday with "no comment," then apologized.

"Sorry, I know you're just trying to do your job," he told reporters in his office. "I appreciate that."

The Reds' general manager, Murray Cook, declined to speculate on the investigation.

"I have to think it's a confidence"



Rose: 'If something happens, when it happens, I'll talk about it.'

tial investigation and I certainly respect it as such," he said Tuesday. "We'll be advised when the time comes."

Cook said he hadn't asked Rose the particulars of the allegations, and that the Reds aren't conducting an investigation of their own.

Rose served a one-month suspension last May for showing an umpire, Dave Pallone, over a disputed call at first base. Giamatti, the National League president, handed down the suspension and declined to rescind it following a hearing with Rose in New York.

Rose contended the one-month suspension was too severe a penalty. Rose was summoned to New York on Feb. 20 for what the commissioner's office termed a meeting to get Rose's advice on an undisclosed matter. His gambling reportedly was a subject at the meeting.

Rose later denied a published report that said he bet on college basketball games. He declined to say whether race track wagers were discussed in the meeting with Ueberroth, Giamatti and other baseball executives.

Ueberroth reinstated them on March 18, 1985.

The Brooklyn Dodgers' manager, Leo Durocher, was suspended for the 1947 season by the commissioner, then, A.B. (Happy) Chandler, for alleged associations with gamblers.

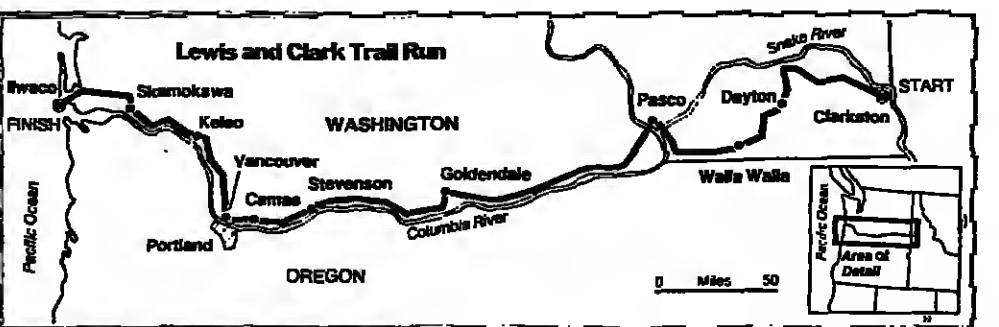
Yankees: Cutting Salaries Upward

New York Times Service

NEW YORK — George Steinbrenner, concerned about the scrutiny of his payroll by his fellow owners and the high cost of finishing fifth, ordered his front office to reduce this year's player payroll by \$2.5 million to \$3 million. Based on the results of the off-season signings, Steinbrenner should not order his players to finish first.

The Yankees' 1988 payroll, based on the Aug. 31 roster and disabled list (a total of 27 players), totaled \$19,404,090, or an average of \$718,670. The Yankees' 1989 roster hasn't been set, but the most likely roster of the players currently in camp would produce a payroll for 25 players (a 24-man roster plus John Candelaria, perhaps, on the disabled list) of \$18,548,652.

That would be a reduction of \$885,438, with the average salary rising to \$741,946. And those figures do not include bonuses that could be earned during the season.



The New York Times

Agent on Trial Injured By Fall on Way to Court

CHICAGO (NYT) — Jurors

were to hear testimony Monday that the sports agent Lloyd Bloom had threatened to break a client's legs for trying to end their relationship, but Bloom's co-defendant, Nobby Walters, was injured on his way to court.

Walters was apparently hit in the leg by a wheeled dolly as he left an elevator. He fell, landing on his arm, and was taken to a hospital.

Judge George N. Marovich sent jurors home after getting word that Walters, although his arm was not broken, was in considerable pain.

The agents are charged with mail fraud, racketeering and extortion in connection with the representation of college athletes.

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For the Record

Vyacheslav Fetisov, the star

defenceman axed following an argument with national coach Viktor Tikhonov, has been recalled to the Soviet training squad for next month's world and European ice hockey championships after publicly asking to be re-instated, Pravda said Tuesday. (UPI)

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Quotable

• A rookie as the Pittsburgh Pirates' equipment man was affixed No. 7 to his hat: "I wear 74." (LAT)

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